# IR UPDATE


THE VOICE OF THE INVESTOR RELATIONS PROFESSION **SPRING 2021**


# The New Crowd of Retail Investors

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# IR UPDATE

**President and CEO**
Gary A. LaBranche, FASAE, CAE

**Chief Operating Officer and Publisher, *IR Update***
Matthew D. Brusch, CAE

**Director of Communications and Editor-in-Chief**
Al Rickard, CAE
arickard@niri.org

**Art Direction**
THOR Design Studio
www.thor.design

**Letters to the Editor**
*IR Update* welcomes letters to the editor. Please send feedback to arickard@niri.org.

**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 2,800 members representing more than 1,350 publicly held companies. NIRI is dedicated to advancing the practice of investor relations and the professional competency and stature of its members.

**About *IR Update***
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For change of address, contact:
NIRI–IR Update
Phone: (703) 562-7700
memberservices@niri.org
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# Navigating the New in IR

**Ruth E. Venning, IRC**
NIRI Chair
Executive Director,
Investor Relations
Horizon Therapeutics plc

Diversity and inclusion, special purpose acquisition companies (SPACs), public benefit corporations (PBCs), artificial intelligence, a heightened U.S. legislative and SEC focus on ESG disclosure, a new breed of retail investors – five years ago these topics of heightened interest today would probably not have been on my radar.

Not to mention not being able to meet with investors in person or attend sell-side conferences. That's IR – continually changing and evolving. Which means that we as IROs not only need to be on top of the new trends but equipped to adapt to them quickly.

The nature of investor relations requires us to adapt. We've been adept at pivoting long before it became a catchphrase. An average day in IR? For many of us, there isn't one – unless it's managing the unexpected – "fires," industry or corporate developments, and urgent questions from the buy side and sell side.

Managing all this and keeping abreast of the nascent trends affecting IR can be challenging– which is where NIRI comes in, offering multiple resources. For example, the *IR Update Daily* news digest, *IR Update Weekly* – and of course, *IR Update* magazine. You'll find insights in this issue on several timely topics, including SPACs (page 32), retail investing trends (page 14), and PBCs (page 36).

Then there's the NIRI Annual Conference – which provides a great way to learn about recent trends and best IR practices. The Annual Conference Committee has been hard at work putting together a compelling program on the topics and issues you need to know about – enabling us to "Navigate the Next and Explore New Directions in IR," the theme of this year's Conference.

Networking is another key resource, and here, too, the Annual Conference provides a great forum to connect with colleagues around the globe. I find it tremendously helpful to learn how others are managing the changing landscape and practices they find useful in general.

One positive that's come out of the COVID-19 pandemic is that we've become adept at networking virtually. I've been impressed at how much easier it is to connect with new colleagues in a virtual networking environment – and this in turn helps us improve in our virtual connections with investors and other key constituencies.

And finally, there's a great deal of knowledge and expertise on key IR trends in the IR service provider community. I've learned a great deal about best practices and new developments in IR from my service provider colleagues over the years – often connecting with them at the Annual Conference. Plus, the Conference showcases what's new and available in IR services.

The Conference promises to be a great learning and networking event. Learn more about it on page 40. I look forward to seeing you there.

# NIRI Announces 2021 Class of Fellows

In April, NIRI announced its 2021 class of eight NIRI Fellows. "On behalf of the 2021 Fellows Selection Committee, I am pleased to announce these eight new Fellows and highlight their ongoing service to the IR community," said NIRI President & CEO Gary A. LaBranche, FASAE, CAE.

The NIRI Fellows Program recognizes distinguished professionals who demonstrate leadership, integrity, involvement, and IR knowledge while advancing or supporting the investor relations profession. NIRI Fellows are called to continued service as leaders, mentors, content distributors, and ambassadors of NIRI and investor relations.

In September 2019, the NIRI Board of Directors voted to strengthen the Fellows program to recognize exceptional mid-career Regular and Associate Members for their ongoing contributions to NIRI and the IR community. NIRI plans to celebrate the 2021 Class of Fellows during its 2021 Virtual Conference on June 22-23.

More information about the NIRI Fellows Program can be found at www.niri.org/fellows.


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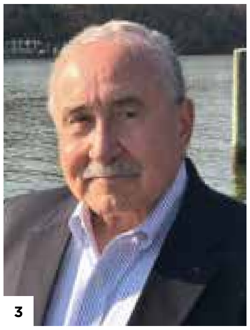
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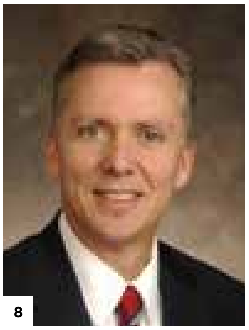
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1 **Remy Bernarda, IRC,** *Partner, IR Advisory Solutions*
2 **Alexandra Deignan,** *Head of Investor Relations, Lazard Ltd.*
3 **David Dragics,** *former Senior Vice President, Investor Relations, CACI International Inc.*
4 **Shep Dunlap,** *Vice President of Investor Relations, Mondelēz International*
5 **Joseph Hassett,** *Senior Vice President, Gregory FCA*
6 **Felise Kissell,** *Head of Investor Relations & Corporate Affairs, Aramark*
7 **Deborah Pawlowski, IRC,** *Chairman and CEO, Kei Advisors LLC*
8 **Mark Warren, IRC,** *Vice President, Investor Relations, Vulcan Materials Company*

# NIRI's Steps to Promote Diversity and Inclusion

In March 2020, the NIRI Board of Directors adopted a "welcoming statement" that articulates NIRI's commitment to diversity and inclusion. The Board also established a "Diversity & Inclusion Task Force" (DITF), led by co-chairs Darin Arita, CFA, IRC, and Deb Wasser, IRC.

Among the actions recommended by the task force and approved by the Board was the development of an updated "welcoming environment" statement, which now appears throughout NIRI's website:

*"NIRI welcomes everyone regardless of race, color, religion, sex, gender identity, sexual orientation, national origin, age, or disability. NIRI is committed to providing a safe, productive, inclusive, and welcoming environment for attendees, volunteers, staff, and others engaged in programs, meetings, events, and activities, including chapter programs and volunteer activities. Chapters should make every effort to ensure that diversity is valued, reflected, and respected in chapter board and leadership positions, as well as speakers and panelists and in all chapter programming and networking activities."*

A recent NIRI survey of IR practitioners revealed that D&I topics are an increasing part of investor engagement and disclosures, and this trend is expected to continue. Most survey participants welcomed more education about best practices for communicating D&I strategies to investors.

NIRI also expanded its D&I content offerings. During the summer of 2020, NIRI created a D&I Resources Library on the NIRI website and published a special edition of *IR Update* on diversity topics.

Both the 2020 Virtual Annual Conference in December and the SRT Annual Meeting in January included sessions on D&I issues. In early 2021, NIRI released a new "Voices of Diversity" podcast series. The DITF is continuously updating a robust list of D&I topics as a resource for education, publications, and other content.

# *IR Update* Wins Magazine of the Year Award


*IR Update* magazine, published by NIRI, won the 2021 Magazine of the Year Award from the American Society of Business Publication Editors.

*IR Update* was honored in the category of magazines with nine or fewer issues per year. The award recognized issues published in 2020, which includes issues focused on critical topics such as the IR industry response to COVID-19, diversity in the profession, and artificial intelligence.

# NIRI Forges Partnership with Hong Kong IR Assn.

NIRI formed a new strategic partnership with the Hong Kong Investor Relations Association (HKIRA) that will bring the programming and education initiatives of both organizations closer together.

"HKIRA is excited to partner with NIRI," said Dr. Eva Chan, Chairman of HKIRA. "It is the mission of HKIRA to advance the professional development of our members and the best practices in investor relations. We believe that the HKIRA members will greatly benefit from the huge educational and informational resources shared from NIRI."

This partnership is not only designed to promote awareness of the IR profession and improve the standard of IR excellence in Hong Kong and China, but also make it easier for HKIRA members to have access to key educational and informational resources, including the IR Competency Suite and the IR Body of Knowledge, which are the main references for NIRI's Investor Relations Charter (IRC®) credential.

# Lynn Antipas Tyson Appointed to Q2 Board of Directors

Lynn Antipas Tyson, Executive Director, Investor Relations, Ford Motor Company, was appointed to the Q2 Board of Directors and is a member of the Q2 Audit Committee and Nominating & Corporate Governance Committee.

She brings more than three decades of experience in treasury, international corporate finance, strategic communications and investor relations, serving in senior-level positions at Ford, PepsiCo, Dell and other leading companies. Tyson is also a former member of the NIRI Board of Directors.

# Ted Allen Joins Society for Corporate Governance

Ted Allen, JD, the former Vice President, Communications and Member Engagement at NIRI, joined the Society for Corporate Governance as Vice President for Policy and Advocacy, in early May 2021.

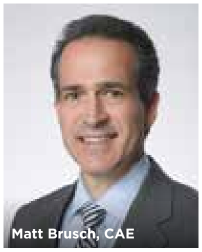
He joined NIRI in 2012 and oversaw advocacy, communications, membership, and practice resources and edited the NIRI Body of Knowledge.

"We thank Ted for his years of service to NIRI," says NIRI President and CEO Gary LaBranche, FASAE, CAE. "His leadership on advocacy issues led to major victories regarding 13F and proxy advisor reform. We wish him well in his new role."

**IN MEMORIAM**

**Robert F. McCarthy Jr.**, VP-Investor Relations at Rexnord, passed away on April 16, 2021. He was a member of NIRI and the CFA Institute and worked as a sell-side analyst for most of his career. Most notable were his years at R.W. Baird, where his mentorship of other analysts extended his legacy. Contributions may be made in his name to the Chicago Botanic Garden or The Art Institute of Chicago.

# NIRI Promotes Key Staff and Reorganizes Responsibilities




NIRI President and CEO Gary LaBranche, FASAE, CAE, announced several staff promotions and reorganization of some responsibilities.

Matt Brusch, CAE, was promoted to Chief Operating Officer and Publisher, *IR Update*. In this role, he will oversee all education and publications. One of his first initiatives will be to develop a comprehensive, integrated, multi-channel content strategy.

"As a former IR practitioner and now 14-year NIRI staff veteran, Matt is well-positioned to leverage all content assets to better meet member needs and advance the professional practice of investor relations," LaBranche notes.

Brusch joined NIRI in 2007 as Vice President of Communications and was promoted to Chief Programs Officer in 2017. Before coming to NIRI he was Director of Communications at Official Payments, Investor Relations Manager at Cysive Inc., Investor Relations Manager at Datastream Systems (now Infor), and held three positions at Nasdaq.

Robin Kite was promoted to Vice President, Membership and Chapter Services. She will continue to serve chapters as she has for the past 15 years but will now also be responsible for all aspects of the Membership Department.

"Robin has played a critical role in helping chapters recruit, retain and engage members," says NIRI President and CEO Gary LaBranche, FASAE, CAE. "She also led the launch of the 40 Under 40 program and the Developing Leaders Roundtable. Her skills and extensive knowledge of NIRI programs will are very important in this new role."

Shannon Potter was promoted to Vice President, Professional Development. In this role she will continue to build NIRI conferences, seminars, and webinars.

"Shannon has done exceptional work recruiting and organizing speakers and educational sessions since joining NIRI in 2017," LaBranche says. "She also produced the IR Competency Suite and online courseware and played a critical role in the 2020 pivot to virtual conferencing.

NIRI also named a few others to new positions in the wake of the departure of Ted Allen, JD, the NIRI Vice President, Communications and Member Engagement, who joined the Society for Corporate Governance as Vice President for Policy and Advocacy in early May 2021.

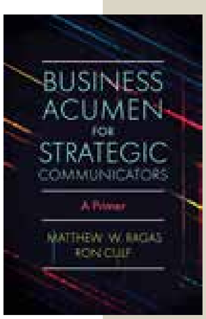
Niels Holch, who has served as NIRI's outside lobbyist since 2008, was promoted to Vice President, Public Policy and Advocacy.

Holch, Partner at Holch and Erickson LLP, will expand his advocacy efforts for NIRI while continuing to serve other clients through his firm. He served as Chief of Staff to U.S. Senator Mitch McConnell, was Senior Vice President at Hill & Knowlton Public Affairs, and has represented clients on a wide range of issues before the United States Congress and various Executive Branch departments and agencies during his career.

Al Rickard, CAE, Editor of *IR Update* since 2011, was promoted to Director of Communications and Editor-in-Chief of *IR Update*. In addition to the magazine, he will now produce *IR Update Weekly* and *IR Update Daily* among other communications responsibilities.

Rickard is President of Association Vision, a communications company, and will continue to serve other clients. He has advised and assisted more than 100 associations throughout his award-winning 30-year career.

Iman Hannon, CM, Senior Director, Governance, Leadership Services and Certification, will assume the role of staff liaison to the Ethics Council, a position previously held by Ted Allen. She will continue with her other responsibilities, including management of the Investor Relations Charter and Assistant Secretary of the NIRI Board of Directors. IR




## A New Resource Book for IR Professionals

NIRI member Matt Ragas, Associate Professor at the DePaul University College of Communication, partnered with DePaul colleague Ron Culp, PRAD Professional in Residence, Instructor and Professional Director, Graduate Professional Program Director - Public Relations and Advertising, to author a new book, "Business Acumen for Strategic Communicators," published by Emerald Publishing Limited in March 2021.

"Business acumen has emerged as a critical competency for communicators," the publisher notes in the book description, adding that this book is designed for communication professionals who did not go to business school. IR

# A New Climate for Public Companies

BY TED ALLEN

In mid-April 2021, Gary Gensler was sworn in as chair of the Securities and Exchange Commission (SEC) after his confirmation by the U.S. Senate. His arrival at the SEC likely will open the door for various rulemaking initiatives that will impact public companies and their investor relations teams.

A former Goldman Sachs banker, Gensler chaired the U.S. Commodity Futures Trading Commission (CFTC) during the Obama administration. He also served at the Treasury Department and taught economics at the Massachusetts Institute of Technology Sloan School of Management.

Based on his testimony to the Senate, it appears likely Gensler will continue the SEC's new focus on climate risk disclosure. In mid-March, the agency requested public input on 15 questions that relate to climate change disclosure, including voluntary reporting practices, the disclosure frameworks now used by companies, and emerging global standards.

The SEC likely will use this input as it drafts new climate reporting rules, which could be proposed by Fall 2021. Comments are due by June 15.

In the meantime, it appears likely that companies' climate change disclosures will receive closer scrutiny.

In February 2021, Commissioner Allison Herren Lee, who served as acting chair before Gensler took office, directed the Corporation Finance Division to "enhance its focus on climate-related disclosure in public company filings."

The SEC also created a new 22-member Enforcement Division task force that to focus on climate risk disclosures.

Companies may see the agency take a harder line on other enforcement matters. In early March, the SEC announced a Regulation Fair Disclosure action against AT&T over communications with analysts in 2016. AT&T is contesting the allegations.

Meanwhile, Commissioner Caroline Crenshaw, has urged her colleagues to toughen the SEC's approach to corporate misconduct. She said the SEC should not refrain from imposing penalties on companies out of concern that shareholders would bear most of that cost.

Given Gensler's record of promoting transparency at the CFTC, he may be open to modernizing the SEC's outdated ownership disclosure rules.

NIRI supports modernizing the Form 13F rules by cutting the 45-day reporting period to five business days and expanding disclosure to include short positions and derivative transactions.

NIRI also is lobbying for 13D modernization legislation on Capitol Hill and will ask members to help mobilize grass roots support for greater market transparency.

## Proxy Issues

On the proxy front, the SEC reopened the comment period for a "universal" proxy card rule, which would require companies and dissidents to use a combined ballot during proxy contests so that investors can pick and choose among management and dissident candidates.

The SEC proposed this rule in 2016, but it languished during the Trump administration. Corporate advocates have warned that a universal proxy rule is likely to increase the number and frequency of proxy contests, as well as the cost of contested director elections.

Under Gensler, the SEC may revisit or delay its new rules on proxy advisory firms and shareholder resolutions, which were finalized in 2020. NIRI, together with the Chamber of Commerce and other business organizations, will ask the SEC to allow these important reforms to take effect as scheduled before the 2022 proxy season.

NIRI, together with the Society for Corporate Governance, has surveyed members about their concerns over proxy distribution fees and has asked the SEC to allow companies to increase their use of their lists of "non-objecting beneficial owners." IR

**Ted Allen, JD**, is the former Vice President, Communications and Member Engagement at NIRI. He is now Vice President for Policy and Advocacy at the Society for Corporate Governance.

# Mickey Foster and Remy Bernarda, IRC, Speak About Value of Senior Roundtable

The NIRI Senior Roundtable (SRT) was formed in November 1994 to respond to the needs and interest of NIRI's growing number of senior-level members. SRT maintains an informal, small group atmosphere requested by this group of leading IR professionals who each have at least 10 years of experience in the profession.

If you have at least 10 years of experience in the IR profession as an IRO and/or IR counselor, visit www.niri.org/srt to learn more about the benefits and application process to join SRT.

To provide more insight into SRT, *IR Update* interviewed two Senior Roundtable members to learn more about the value they derive from participation and some of their professional experiences.

**Mickey Foster**
**Staff Vice President – Investor Relations**
**FedEx Corporation**
**Years in Investor Relations: 38**
**Joined NIRI in 1983**
**Joined Senior Roundtable in 1994 as a Founding Member**

**Why did you join Senior Roundtable?** I was on the NIRI Board of Directors and was appointed to the Steering Committee to form SRT. NIRI wanted an organization to focus on strategic thinking, advanced IR education and deeper networking for senior investor relations practitioners.

**What have you found most valuable about being a member of the Senior Roundtable?** The ability to learn and advance the practice of global investor relations.

**Where did you grow up?** I grew up in Dallas with a great mom and dad in a family with five kids. Everyone played several musical instruments and sang in the church choir.

**Where did you go to college and what did you study?** I went to Texas A&M University in College Station, Texas, and earned a B.S. in Computer Science with a Chemistry minor and an MBA in Finance. Next, I earned a M.S. in Petroleum Engineering from University of Southern California in Los Angeles.

**How did you get into investor relations?** After college, my career began in strategic planning and management science in the petroleum industry. My management team in Dallas asked me to interview for a rotational IR position at headquarters in Los Angeles. I was very glad for the successful interview as more than 35 years later I am still practicing investor relations. The IRO has a 360-degree view of the company, shareowners, and other stakeholders. Doing a great job in IR means knowing just about everything happening at the company and having a strategic, long-term perspective.

**What advice would you give a person starting out in IR?** Get ready for a great career! A basic understanding of finance, marketing, communications and securities law are very helpful. An IRO should be honest, very dependable, and proactive. It is better to listen than to talk. Also being flexible, adaptable and having a thick skin is very important. Join your local NIRI chapter and network with other IROs. Many NIRI members would be happy to be a mentor.

**What is the one quality you feel best describes you?**
Passionate in every undertaking.

**Mickey Foster NIRI Service**
1994 – 1995: Board of Directors
1994 – Present: Senior Roundtable
1994- 2020: Volunteer Advisory Network
1995: National Board of Directors Chairman
1995 – 2020: Speakers Bureau
2002 – 2006: New York Chapter, Senior Advisory Board
2010: National Volunteer of the Year Award
2013: NIRI Fellow – Inaugural Class
2015 – 2018: IRC Certification Council – Inaugural member

**Remy Bernarda, IRC**
**Partner, Investor Relations Advisory Solutions**
**Years in Investor Relations: 15**
**Year joined NIRI: 2006**
**Year joined Senior Roundtable: 2016**

**Why did you join Senior Roundtable?** I was proud to have reached the milestone of 10 years in IR, and I wanted to expand my learning opportunities through this group.

**What have you found most valuable about being a member of the Senior Roundtable?** The ongoing education and the networking. Thanks to NIRI, I have colleagues I can always turn to professionally and have built lifelong friendships.

**If you could have had another career than IR, what would it have been?** I should be an ESPN sportscaster! I love the outdoors, participating in, and watching sports….and I've been told I talk too much. I missed my calling but telling stories about companies is a close second.

**What is the best/worst thing to happen in your IR career?** The worst thing that happened in my career turned out to be the best thing. I spent more than five years at a small biotechnology company. During that period, the company had three CEOs, a headquarters relocation, a commercialized product that was ultimately sold off, a major program failure, an SEC investigation, numerous financings, and ended with a reverse merger. Needless to say, there were extreme highs and lows. I remained the longest standing member of the management team, and while it was often torture during the process, I gained invaluable experience on numerous topics.

**Is there anyone who had a major influence on your career? Why?** Marge Wyrwas, but she probably doesn't even know it! When I made the switch from Wall Street to IR, she told me to join NIRI, attend the annual conference, and join my local chapter. Best move I ever made!

**What advice would you give a person starting out in IR?** Soak it all in. Ask questions. Stand up for what is right. Don't be afraid to take chances on your career.

**Is there a memorable moment you've experienced as part of the SRT?** The more intimate nature of the annual SRT meeting allows for quality time with quality people over many glasses of wine. Cheers! IR

# Responding to New Retail Investing Trends

**The retail trading market has changed considerably during the past year. IR professionals need to understand this evolution and employ new strategies to respond.**

BY JOHN F. NUNZIATI

You're an experienced IR professional smoothly running a comprehensive investor relations program. The company stock is trading up 1,000% year-to-date. Take your victory lap, hand off the reins to your second-in-command, and find a lounge on a beach somewhere, right?

After all, IR is believed to contribute a premium of as much as 15% to valuation or potentially lower beta by 5%, based on a report released by IHS Markit in September 2020.

Unfortunately, your share price gains haven't been driven by the excellence of your IR program. Your company is getting a lot of press, but the reporting is mainly focused on attention that retail investors are paying to the company. This may be a hypothetical situation, but it could also be the story of almost any company in recent months.

## Retail Investor Targeting

Retail investors were reported to be behind a significant early-January surge in share prices for a group of stocks that have since become known as "meme stocks." This is not a group or an exchange-traded fund in which your company wants to be included.

This group of companies is known more for the social media-driven hype and touting they've received rather than for their underlying business performance. Two organizations believed to be significant contributors to this phenomenon are Robinhood, a brokerage, and Reddit, a social media platform.

Robinhood launched with zero-cost trading in 2015. Robinhood's website says it wants to "democratize finance for all."

In October 2019, major brokerages such as Charles Schwab followed suit, eliminating commissions. Founder and Chairman Charles Schwab was quoted in its announcement saying, "Eliminating commissions ensures my ultimate vision is realized – making investing accessible to all."

The philosophy of providing easy access to markets opened up new opportunities for individual investors. It may be surprising for IR professionals to learn that increasing retail investor access also generated retail investor use of options.

Behaviors and practices we might have attributed to hedge funds are now being adopted by retail investors, as evidenced by Robinhood CEO Vlad Tenev's recent comment that 13% of Robinhood's customers have purchased options contracts.

In late 2020, members of WallStreetBets – part of the Reddit online community – started showing significant interest in a relatively small group of stocks. GameStop was central to the group's discussion.

The members were discussing an opportunity to generate buying interest which would squeeze short interest holders and force them to buy shares needed to cover short interests, driving prices higher.

This contributed to shares of GameStop moving from the closing price of $17.25 on January 4, 2021to levels above $300 in the final week of January and in the $150-$200 range recently. The three-month average daily volume jumped to over 30 million shares on this activity, which is substantial relative to the 90 million shares outstanding and 55 million shares of public float that Gamestop reports on its website.

### Increased Volatility

While one motivation of the WallStreetBets community may have been to put pressure on hedge funds, the increased volume their interest drove created opportunities for market makers who make money by facilitating trades and exchanges and who get paid on every trade.

It also created increased volatility, which led to trading halts on exchanges and some brokerages suspending purchase of GameStop shares. IROs know there are winners and losers in every trade. Traders (both retail and professional) might measure their win milliseconds or minutes after the trade.

Melvin Capital, a hedge fund which had held a short interest in GameStop, was reported by *Institutional Investo*r magazine as having needed a capital infusion of approximately $2 billion, after declining over 50% in January.

This issue of IR Update went to press just before mid-May 2021, when March end-of-quarter fund position changes were due to be disclosed publicly. After those disclosures, there will be clarity about which of the largest institutional holders as of December 2020 cashed out for large gains during the first quarter of 2021. With that information, IR professionals will have a better understanding of market participants driving the near-term trading volatility and fundamental long-term investors still owning shares. This can drive future outreach efforts to seek multi-year relationships rather than reactions to daily trading.

### Legislators Respond

With all that trading, media attention, volume, volatility, trading halts, and money being made and lost, sooner or later legislators had to pay attention. It was probably the uproar generated by Robinhood suspending trading of a group of stocks which caused lawmakers to take action.

The U.S. House of Representatives Financial Services Committee scheduled a series of hearings earlier this year.

The first, on February 18, focused on market participants including the CEOs of Reddit, Robinhood, Citadel (a market maker), and individual investor Keith Gill, deemed to be one of the most influential voices on WallStreetBets.

The second hearing was held on March 17 and included market structure expert Sal Arnuk, Co-Founder of Themis Trading, and Michael Blaugrund, COO of the New York Stock Exchange. The focus of the March hearing was on payment for order flow (PFOF), investment and short-sale disclosure rules, and clearance timing rules (which determine how soon after a trade the settlement of securities and payment must occur.

The third hearing was held on May 6, entitled, "Game Stopped? Who Wins and Loses When Short Sellers, Social Media, and Retail Investors Collide, Pt. III." SEC Chairman Gary Gensler, Depository Trust & Clearing Corporation President and Chief Executive Officer Michael Bodson, and Financial Industry Regulatory Authority, Inc. President and Chief Executive Officer Robert Cook testified.

### PFOF Under the Microscope

As this saga continues to unfold, investor relations professionals are interested in implications for their programs. A few changes which might be expected coming out of the hearings could be of interest to IROs, including changes to rules on PFOF and rules on settlement.

Yahoo! reported that in 2020, PFOF amounts received at the four major brokerages (TD Ameritrade, Robinhood, E*Trade, and Charles Schwab) nearly tripled during 2019. This attracted a lot of scrutiny and criticism.

PFOF is also suggested to be driving a continued increase in retail trading. Most retail trades are handled off-exchange and reported by wholesale brokers through FINRA's Trade Reporting Facility (TRF). TRF trading volume was in the 35-40% range for most of 2019 and early 2020. In April 2020 it started to rise, climbing to over 45% of all volume, and reached nearly 48% in January 2021, according to the Virtu Financial Inc. website.

Some market participants believe PFOF should be prohibited as they believe market makers benefit from an informational advantage.

Tim Quast, Founder of ModernIR says, "Market makers are the most powerful force in the market today because they enjoy an asymmetric informational advantage. They buy retail limit and stop orders, enabling them to see the direction prices are likely to move based on demand. And of course, brokers encourage retail customers to use these orders. By contrast, market orders are much harder to front-run."

There are other views which suggest that eliminating it wouldn't change the amount of retail volume or the processing of those retail trades.

Reducing the time for settlement is another potential outcome of the hearings which could help IROs better understand who is influencing the trading and pricing of their stock. Today, settlement happens two days after the trade (referred to as T+2). Moving to T+1 might enable more rapid identification of shareholder changes.

However, Quast suggests this is unlikely. "T+1 is a possible outcome, but I think the clearing firms will push back because of the complexity of netting – matching up the sides of the trade," he says. "For surveillance, reducing the settlement time doesn't address the problem of only a small fraction of result in an actual ownership change. Most often, owners aren't setting prices."

## Implications for IR

There are also a few other implications for IR professionals in dealing with retail investors. For those cultivating a stronger retail ownership base, educating retail investors on the fundamentals of the company has always been a priority.

While Robinhood has generated interest in investing, and even works to educate investors on market fundamentals, the three key steps their website recommends for investors ("Set your goals, pay off your debts, and create an emergency fund") do not even suggest that investors should work to understand your company's differentiation or historical financial performance.

New approaches are also emerging, such as attending conferences tailored to retail investors and reaching investors through new forums.

For example, earlier this year the CEO and CFO of pre-IPO Coinbase hosted a three-day "ask me anything" format chat for retail investors on Reddit. Publicly traded companies are also reaching retail investors these channels, such as the social audio app Clubhouse, including for post-earnings events.

For IR teams who aim to support their retail shareholders but not actively pursue or engage with them, there are a variety of best practices to follow. Using your IR website to provide alert capabilities and FAQs can automatically share information with large numbers of interested investors.

Many teams also post transcripts and replays of their key investor events to ensure they are easily accessible to retail investors. Traditional approaches such as dividend reinvestment programs (DRIPs) or direct stock purchase programs (DSPPs) are still in use and can facilitate investment by retail investors. In fact, Computershare's website lists over 400 companies with DSSPs that only require a $25 minimum investment.

There are also newer programs such as Stockperks and Tiicker which connect retail investors to companies and potentially provide rewards or incentives. Nicole Maselli, Head of Sales for StockPerks, says, "Retail investors play a key role in helping companies benefit from added liquidity, long-term stability, and voting support. They also can create stronger customer loyalty."

Enabling these benefits with highly productive solutions is a worthy objective for IR professionals.

For IR professionals who are faced with a non-fundamental, potentially irrational retail-driven price change, there are some steps to consider.

One approach is to try to convince the largest institutional holders of the company's stock to not allow their shares to be borrowed for shorting to prevent being targeted for a short squeeze. It isn't likely that this would address the problem though, as regulators allow market makers 35 days to locate shares needed to fill orders, so short interest could still remain high.

While you may not have news or a corporate statement to communicate, IROs should not limit their outreach at these times. Continue discussions with top shareholders to understand their views on recent market activity. This is critical knowledge you can share with your management team.

You may also want to use a market surveillance partner to monitor daily equity trading and report insight on irrational moves. Billy Eckert, Head of Capital Markets Intelligence at Q4, notes, "Surveillance analysts are often the best resource to get deeper understanding of what is driving the unusual price moves."

IR teams in these situations also need to be aware of internally generated stock-related activities including price levels and shares available to be sold under 10b5-1 plans in effect for your leadership team and board of directors.

Work closely with your general counsel to ensure the company isn't risking legal action brought on by shareholders as a result of stock sales. IR and legal counsel may also want to reiterate company policies for all employees, reminding them of disclosure rules, spokesperson responsibilities, material non-public information controls, and trading blackout restrictions.

We've now also seen a new step that companies may need to take – enhanced risk disclosure. In GameStop's most recently filed 10-K, the company included risks covering topics such as the volatility of their stock, potential impacts of continued short squeeze efforts, and the fact that information available in the media and on social media platforms that is not attributable to the company may not be reliable or accurate. IR professionals should review this document as some of these are likely to become the benchmarks for language your team should consider including in your risk disclosures.

The environment for engaging with retail investors has forever changed and will continue to evolve. While many of the tools and practices familiar to investor relations professionals are still useful, new approaches are necessary.

For those in the IR seat it means that you must monitor emerging best practices and hone your skills in new areas. This is especially true if your strategy includes proactively engaging a retail base or if your stock is heavily influenced by retail trading activity. IR

**John Nunziati, IRC** is Investor Relations Partner at Q4; john.nunziati@q4inc.com.

# The Times Are a Changin' and Fast: The New Retail Investor

# The pandemic, reduced trading costs, and easy access to trading platforms helped spawn a new breed of retail investors. Learn what makes them tick and how you can respond to this new dynamic.

BY ROBERT KRAFT

During the past year, there has been a huge uptick in retail investing, so investor relations officers need to understand the profile of this new breed of retail investors.

Two main forces that have led to the surge in retail investing:

First and foremost, COVID-19 forced millions and millions of people to work from home, while others took temporary furloughs or were dismissed from their jobs. Individuals, unsure about the future and where their next paycheck was coming from due to the pandemic, were (and still are) looking to take control of their financial futures.

Investing has never been this easy, according to the article, "2020 Was a Big Year for Individual Investors" by James Chen, because of what he called "plummeting costs and improving online brokerage platforms." The "Robinhood Effect" has been a real phenomenon in that the popular Robinhood platform allows an individual to sign up for free and trade for free, creating a "gamification" of investing that is very new territory.

### Who are these new retail investors?

According to Robinhood, the age of its average user is 31 with an average account size of $3,500. Robinhood signed a record 3 million new users in the first four months of 2020, finishing the year with 13 million users, and that number was projected to grow to 20 million by March 2021.

### How did they get all their money to invest?

While it's unclear where this new breed of investor's capital comes from, there are a number of potential sources:

- Savings from not spending on travel, meals, etc.
- Utilizing savings in lieu of incoming cash flow
- Stimulus checks
- Unemployment payments
- Liquidating assets (card collections, other investments, real estate, etc.)

- Credit card cash advances
- Real estate refinancing
- Borrowing against assets
- Establishing a credit line
- Reducing expenses from downsizing

### How is their mindset different from other investors?

Since new retail investor are generally younger, first-time investors, they can afford to absorb a bit more risk into their portfolios and have a long-term outlook. In other words, they can afford to wait. In general, these investors have many more income generating years ahead whereby risk is mitigated by future earnings. The other clear distinction of this investor cadre is familiarity with technology, gaming, online usage, and a desire for wealth. For them, day trading is not only fun and exciting but provides an interactive relationship with like-minded investors in their peer community to share information, experiences, and competition, very similar to gambling and sports.

### What types of companies are they looking for?

Two factors have played a role in the types of companies the new retail investor is looking for:

- **Name recognition** — the more well-known a company, and the more their product or service is used, in this environment, the better. The idea of "margin of safety" is nothing more than, "I use this product, and everyone I know uses this product. This is a great hedge during a pandemic." Technology, software, gaming, space, cannabis, psychedelics, sports, transportation, healthy living, nutrition, travel are some relatable sectors these investors investigate.
- **Price** — lower prices afford the group the ability to own more shares of an emerging growth company while buying high priced stocks like Apple, Berkshire Hathaway, and other well-known stock prevent large stake purchases other than options, which further increase risk due to expiration issues and in some cases liquidity.

### What are some of the key criteria retail investors look for?

In general, here are some criteria that retail investors are looking for:

- Name recognition.
- Making the world better for the next generation.
- Technology, especially software that helps automate or make processes much easier and more efficient.

### How can investor relations officers track what is happening among retail investors and spot what may be affecting their company?

Social media has made tracking these efforts easier than ever:

- If you have an account on Robinhood, you can see the "Top 100" stocks on Robinhood "right now."
- The "Fintwit," shorthand for "Financial Twitter" community has been growing in popularity for years and exploded in 2020. To see if your company (or client) is being actively talked about by "Fintwit" contributors, simply type in the dollar sign and company symbol "ex: $AAPL" into the search box and see what comes up. Any tweet that has your requested "cashtag" will show up. Create Twitter and StockTwits accounts, which are free.
- A tried and true method: Create Google Alerts for your company name, as well as "cashtag" now -- this will help you determine if your company is mentioned in a blogger's article, chat room, investing forum, etc.
- Create an account on Reddit, and periodically search to see if your company appears.

### Is this new retail trading pattern a short-term trend or a longer-term shift in investing that will change the market?

The infusion of new investors to join the trading frenzy adds volume, liquidity, traffic, noise, headlines, demand for information, support for virtual conferences, newsletters, podcasts and growth. In theory, new investors will learn from early losses and gains and this new trend will inevitably lead to new younger investors incorporating both short- and long-term investing into their daily activity. IR

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**Robert Kraft** is CEO of SNN Incorporated and host of the Planet MicroCap Podcast, where he has interviewed several experts in the microcap space. In 2020, Robert launched the SNN Podcast Network by creating and producing three new shows with well-known financial influencers; email rkraft@snnwire.com.

# RETAIL IR FOR SMALLER-CAP COMPANIES

# Companies with lower market capitalization rely more on retail investors. Follow this roadmap of growth to make the most of these opportunities.

BY LAURA KIERNAN, KELLEY STAMM, AND CONOR DUNLEAVY

It's important for companies of all market capitalizations to have an outstanding investor relations program to effectively reach retail investors.

As illustrated by the recent GameStop and Robinhood examples, retail shareholders control a massive pool of capital that should not be overlooked. Yahoo! Finance alone has an estimated $100 billion in retail investment accounts, and Robinhood similarly processes billions of dollars in transaction volumes from retail accounts.

These two firms alone represent a huge amount of actively managed capital by retail shareholders. While we will focus on nano, micro, and small-cap companies, these strategies are equally as effective for mid-cap companies that want to broaden their reach and more effectively manage their retail shareholder base.

Every successful investor relations program needs to be tailored to the specific goals and objectives of the company's management team. Smaller companies have unique challenges due to their size, which generally represents market capitalizations of less than $50 million for nano-caps, roughly $50 to $300 million for micro-caps, and up to $1 billion for small-caps. As a result, they typically need to effectively reach a retail shareholder base.

With smaller market capitalization, it usually means these companies also have limited resources and limited visibility, making it even more challenging to compete for capital. Smaller-cap companies do not have a full-time dedicated investor relations officer, but rather it is the company's CEO or CFO who is handling the investor relations function in addition to running a business.

Occasionally, they will also have an outside IR firm assisting them. So, with these resources, it is critical to make best use of management's limited time.

Given these challenges, how do you get your message out effectively, gain visibility, reach the right shareholders and track and measure results? Here are our advice and suggestions to achieve outstanding investor relations for smaller-cap companies.

- **Set realistic goals and objectives** for your IR plan while leveraging your limited budget – both time and money. A primary goal for every public company is to achieve fair value in the capital markets, but you may also want to increase management visibility, improve corporate reputation, gain new customers, and attract the highest quality talent possible for your organization. Know what your goals are so you can create a realistic plan and measure your results over time.

- **Communicate a clear vision** of how your company creates shareholder value – this is critical to the successful execution of your IR plan. Understand what investors value in your sector and communicate that to them.
- **Tailor your IR program** to ensure these key value driving messages are communicated to the "right" investment community. Target high net worth (HNW), brokers, retail, family office, and once your company has reached at least $50-$75 million in market cap, begin to target institutional investors and sell-side equity analysts. Consider paid-for equity research with broad digital reach.
- **Understand your company's relative valuation** compared to your "capital" peers and what your company's optimal valuation should be. For example, your sector valuations may be based on a multiple of earnings, multiple of revenue, a multiple of EBITDA or a combination of these. Other sector valuations, such as for biotech, can be based on a discounted cash flow.
- **Manage internal expectations** by communicating this to management and the board. Understand that achieving these goals is a long-term process. It takes time to build, develop and execute a successful IR plan. You should start to see some results after about six months of executing your plan, but in our experience, we have found that a focused plan takes between 18 and 24 months to achieve the primary goal of fair/optimal valuation. Once you achieve that valuation, you will need to maintain your program, but it should be a little easier to execute because you will know the IR strategy that works for your equity.
- **Do not be discouraged** by interim setbacks; that is part of the process. Follow the long-term trend in your equity relative to the market to see if you are making progress against your goals and remember to benchmark results against the sector and the overall market.
- **Constantly evolve** and improve your plan as your company and sector evolves.

## Well-crafted Communications

Regardless of a company's size, it is imperative that your messaging clearly and accurately provide the investment community with the company strategy, investment thesis, and a thorough understanding of the company and its operations – both past performance and future outlook.

Providing consistent, clear messaging and making the information easily accessible across all the company's outlets such as news releases, website, fact sheets, and presentations will give investors the information they need while taking the research work out of their hands.

The investment thesis must answer the question, "Why should I buy this stock?" It sounds basic, but an easy-to-understand, well-crafted story will attract investor and analyst interest and will help build your company's credibility on the Street.

## Investor Targeting and Getting the Shareholder Mix Right

Possibly the largest hurdle facing smaller-cap companies is developing an investor base of reliable, long-term investors who believe in the story and the growth potential of the company. Every management team wants to have institutional investors, but as a smaller-cap company, it is much more challenging to attract institutional investors due to both capitalization size and stock liquidity.

A more natural fit at this stage is to target small institutions and individual retail investors, brokers, HNW and family offices, which tend to be ignored. These types of shareholders may be a good fit as long-term shareholders and should be part of your ideal mix between institutional investors and retail even as the equity matures down the line.

Retail holders should not be ignored, but rather need to be included as an important component in the overall shareholder mix. As we touched on previously, once you approach the $50-$75 million mark in market cap, you should also start to target institutional investors and sell-side equity analysts, but we do not recommend curtailing retail investor marketing until you are at least a small cap stock with solid institutional investor interest.

There are a few providers for investor targeting at this level.

## Equity Research

Another hurdle facing smaller-cap companies is gaining high quality sell-side coverage. This is an important component in your IR plan which can provide significant exposure to a larger group of investors.

Attracting sell-side analysts to your story takes time and patience, and you will need to spend time building relationships with some of the key analysts in your sector. Researching the analysts of your peers and then building a relationship with the analysts is an important starting point.

A strategy that we have used effectively is to target the junior analyst on a larger team with a bank that has broad distribution. They are usually looking to make a name for themselves so they can move up to a senior analyst title. They are more willing to work with you on research.

The analysts may want to learn more about the sector so they may be open to listening to your company's story. Even if your company is not covered by a bank or analyst, it is still worth reaching out to try and secure an invitation to conferences the analyst's firm hosts. Some analysts will be able to offer a spot at the conference for meetings only to companies they do not cover.

It is often difficult, if not impossible, to gain sell-side equity research if you are not a client of a bank, you may want to consider paid-for equity research. If your company has little or no coverage, a good option is to obtain paid-for research. Though some believe that paid-for research is not advisable, we disagree. Investing in paid-research at this early stage can be considered a solid investment, especially if you do not have any sell-side coverage.

Paid-for equity research generally has very broad distribution to retail investors and a digital reach that can amplify company messages far more broadly than press releases, websites, or direct outreach. The research analysts often come as seasoned analysts that left larger banks, and they are often willing to spend the time with management to get the story right.

Many IROs do not realize how massive the retail investor pool is. Also retail investors cannot access any bank research that is only for bank clients to use. To reach the users of Yahoo! Finance and similar, it may be worth an investment in at least one paid-for research company. They will provide an initiation report as well as a financial model that is key to helping set a valuation for your company.

There are several highly reputable sponsored research companies that can help raise the visibility of your company. There are many others available as well and it is worth researching providers in this area for high quality analysts that cover your sector for a fee.

Even more traditional banks are now offering paid-for research to augment their sponsored research offerings. Paid-for research is very expensive, but when compared to the potential impact on market capitalization, an annual fee of $25,000 to $50,000 might be worth it.

If your company is contemplating a capital raise, sell-side coverage can also be a way to provide support ahead of and/or following a raise. It is important to do your research in advance in selecting a bank that knows and has the depth of experience in your sector, is appropriate for your size, and has an analyst in your sector with a solid reputation. Ensure to research the analyst in advance to see which companies they cover and if it might be appropriate coverage for your firm.

> ONE AREA WHERE ANALYSTS CAN HELP IS IDENTIFYING THE CAPITAL PEER GROUP AND HELPING SET A REASONABLE VALUATION FOR THE COMPANY.

### Understanding Relative Valuation

One area where analysts can help is identifying the capital peer group and helping set a reasonable valuation for the company. They can provide an external point of view of how your company should be valued.

For example, your sector valuations may be based on a multiple of earnings, multiple of revenue, a multiple of EBITDA, or a combination of these. Other sector valuations, such as for biotech, can be based on a discounted cash flow. Be careful to ensure the analyst really understands the value drivers of the company before deriving their valuation, and closely monitor this understanding based on their published analysis.

### Conferences and Roadshows

Conferences can be an excellent way to gain exposure to high-quality investors and raise your company's visibility. However, given that conferences may take up a large portion of your IR budget, it is important to do your research ahead of time to prioritize and target the preferred market cap focused conferences in your sector where you will get the most value.

At many of these conferences, you can try to negotiate a lower fee if the company is only taking one-to-one meetings and not presenting.

While presenting at a conference is ideal, it is still worthwhile to attend a high-quality market cap focused conference for the one-to-one meetings, as you will be able to cultivate high-quality investors. Look to see which conferences would suit your equity best, and check to see which conferences your peers attend. If you have sell-side coverage, be sure to attend all the conferences offered by the analyst.

Some of the conferences we have had good success with include Planet Microcap, Investor Summit, LG Micro, OTC Virtual Conferences, and even smaller sell-side banks. More conferences are virtual now so travel costs can often be reduced.

### Financial Media

Financial media is another effective tool that can be leveraged to raise your company's visibility. Many media outlets offer various paid editorial, video interviews, or mailing list options outside of traditional financial media that can be used effectively. In addition, these materials can extend reach by being posted on your company's website and social media channels.

Again, it is important to research the offerings to make sure there is an appropriate fit for your objectives, and to ensure the vendor will provide you with meaningful metrics on the effectiveness of the program.

We have worked with authors of Seeking Alpha and other publications to successfully raise visibility amongst retail investors. Similar to sell-side equity research, your relationship with financial media needs to be carefully managed.

### Leverage Your Trading Platform

Finally, your trading platform often has opportunities you can leverage. NYSE, Nasdaq, OTC, TSX and TSX.V all have opportunities for companies to do executive interviews, podcasts and opening/closing ceremonies or other opportunities to raise company visibility. Check with your exchange or trading platform to see what they offer for free and for a fee.

Once you have materials such as videos and images, you can leverage this through social media on LinkedIn and Twitter. Be sure to use your $cash tag and #hash tags for investor-related postings. Be careful not to release material non-public information by social media. That type of news should first be disseminated by traditional means such as an SEC filing or press release.

BUILDING A STRATEGY WITH STEADY STRONG GROWTH, BACKED BY SOLID FUNDAMENTALS AND A COHESIVE AND MEASURED IR PLAN BUILDS THE STATURE OF YOUR COMPANY IN THE CAPITAL MARKETS.

### Measuring Results

It is important to track all your activities and measure the results. This can be done informally or formally. Metrics that should be tracked aside from valuation and stock price performance may include volume trends, shareholder ownership, sell-side analyst coverage, accuracy of earnings estimates, investment recommendations, IR activities (number of meetings, roadshows, conferences), enterprise value creation, and relative valuation compared to your capital peers. What is measured can be managed.

Constantly evolve and improve your plan as your company and sector evolves. Leverage your vendors and service providers and ask for metrics on marketing activities so you can see what is working and what is not and adjust your plan from there.

### A Long Game

Building a strategy with steady strong growth, backed by solid fundamentals and a cohesive and measured IR plan, builds the stature of your company in the capital markets.

It is important to recognize that it is all about the long game – not a sprint – and will take time, which every management team and Board needs to appreciate. IR

**Laura Kiernan, IRC, Kelley Stamm, and Conor Dunleavy** are part of the team at High Touch Investor Relations (HTIR), a boutique IR firm based in New York; lkiernan@htir.net; kstamm@htir.net; cdunleavy@htir.net.

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# DEALING WITH GREAT NEWS

BY TIM GALBRAITH

## Why good times can be hard for IR professionals.

It is no secret IR professionals are combat-trained for that midnight phone call about a chemical train derailment, corporate takeover, short-seller rumor, or just a whiffed quarter. Bad news rolls like water off a duck's back as the natural reflexes of an IRO kick in during any crisis, quarterbacking communications plans, and coordinating a company's response. But are IROs equally prepared for good news?

The old financial markets adage is good news is the absence of bad news, but the raw calculus is good news delivers a higher stock price. But what if price appreciation happens at warp speed, rocketing the stock sharply higher?

That type of good news brings special challenges that place companies in the spotlight, raise operational expectations, and unleash material impulses that IROs need to carefully manage.

The extreme example is the Reddit-fueled GameStop trading fever in January when GameStop's market capitalization soared from roughly $1 billion to over $22 billion in just 15 days. Given the nonstop workload thrust upon its management team, labeling those price swings as "good news" certainly must raise a smirk internally, but the charts don't lie: GameStop stock was up 10-fold since the beginning of the year as of the end of March 2021.

### Everything Can Change

This article will not add to the catalog of stories dissecting these events but rather highlight several topics that IROs should consider.

The first is how quickly shareholder registers can change. Despite the headlines proclaiming the market dominance of retail traders, IHS Markit dismisses that urban legend with research showing retail trading in the overall market remained steady at just 3-4% of trading volume.

But small and microcap IROs take note: Retail trading volumes are three times the overall average in those capitalizations. Good preparation means small-cap IROs will develop the playbook and the resources to monitor shareholders now, in the calm before the storm. And remember that not all retail investors are day traders.

The second is how normal workloads can turn on a dime and remain at full throttle for weeks. Solo IROs can be pressed for resources and outsourced IR advisory firms are a legitimate safety value to be tapped.

An IRO never needs to walk alone; many companies utilize both an internal investor relations lead and an outsourced firm to execute their communications plan and perform special projects to free up valuable time.

Automation is coming to the rescue. There is no better example than how the pandemic has taken the stigma out of "virtual" and made it commonplace, not to mention the reduced cost of not holding physical meetings.

IROs can multiply their time by using tools that digitize manual and repetitive tasks, such as Nasdaq's ConnectIR service, which automates investor relations workflow. Nearly 7,000 investor relations meetings with analysts and shareholders have been booked this way since the service launched.

But before meme stocks, good news came the old-fashioned way.

### Old-School Good News

On February 16, 2021, frigid temperatures froze Texas and cut power to millions, but it was hot on Wall Street when Berkshire Hathaway released its 13-F portfolio holdings report. It is sport to pore over the file and discover what Warren Buffett bought and sold.

Chevron, Marsh McLennan, and Verizon became the new additions to the Berkshire Hathaway family. On the first trading day after the release, Chevron and Marsh McLennan stocks were up 3% and Verizon rose over 5%, underscoring the esteemed investor's seal of approval.

The reality is a Buffett stamp puts more focus on management to execute on the business rather than altering any duties of an IRO. "It's the ultimate good news," one IRO commented. "You will get new investors who are just following Buffett and are low maintenance, and you will also get new inquiries from those that might be saying, 'What did I miss that Buffett saw?'"

### The New Kid in Town

While Buffett is certainly the original Wall Street influencer, be prepared for Cathie Wood of ARK Invest. Her innovation-themed exchange-traded funds (ETFs) took in more than $20 billion in 2020, fueled by a big bet on Tesla, annual performance topping 150%, and an effective social media presence.

The entire portfolio is made public on the ARK website every night, so each morning the market knows exactly which companies have been awarded her gold star. A stock added to the roster is blessed with the ARK aura of being identified as a company for the future and supported by the sustained buying power of the ETFs which continue to have inflows. Of course, outflows and portfolio exits can have the opposite effect.

### Modern Retail Investors Welcomed

Palantir Technologies was added the ARK's portfolio in Q4 2020 shortly after its initial public offering through a direct listing. Palantir Head of Investor Relations Rodney Nelson said ARK's long-term investment horizon matched perfectly with management's philosophy, so it was great to have a partner with a similar thematic alignment. But because of ARK's devoted followers, said Nelson, he knew long-term individual investors would follow. "Retail was going to be part of our cap table."

The time required to service large numbers of retail investors is forcing companies to rethink staffing and redesign investor relations programs to make them more self-service and all-inclusive. When asked about what changed in his daily job duties, Nelson said that the time he spends watching the composition of the float increased and he relies on outside vendors to support his shareholder surveillance. IROs should adapt their programs; the sheer number of individual investors requires technology to deliver better service.

Palantir turned to Say Technologies to help connect with new investors and manage its annual meetings and quarterly calls. Say's applications link company management with all shareholders to modernize communication and engage every registered shareholder. Zach Hascoe, Co-founder of Say, is certain the paper-mailed proxy vote is antiquated and annual meetings dominated by institutional investors are poor user experiences. "Retail investors are primed to engage digitally," says Hascoe. If investors change, IROs need to evolve their IR program delivery to meet a changed investor landscape.

### Membership Has Its Privileges

Just after 8 p.m. on December 11, 2020, Nasdaq released its annual rebalancing of its bellwether Nasdaq-100 Index. Okta, an identity technology solutions company, was one of six companies rotating in.

It is a well-documented trading pattern that companies added to a major index enjoy a price spike, so the new constituent list is released on a dead Friday night, four hours after market close. The actual inclusion in the Index would happen a week later. Sure enough, Okta's stock price advanced 9% from the time of announcement to index constituent.

Okta Vice President of Investor Relations David Gennarelli says price swings are common for a high-growth technology company like Okta. "What Index inclusion can bring is more trading volume, more visibility, and it is great to be recognized as a top 100 company," he explains.

What is hard, Gennarelli adds, is that everything is out of a company's control, because any index inclusion announcement is a closely guarded secret. Joining such a popular index means the stock will be owned by passive ETFs, such as the QQQ with assets over $150 billion.

That is a good thing for IROs, says Gennarelli. "Passive funds as investors are typically long-term holders and don't soak up a lot of time, except for proxy outreach on important issues such as 'Say on Pay' and ESG matters."

### Wealth, Desire, and Being Smart

Stock prices up on good news are universally welcomed by external investors. Internally, stock-based compensation and insider selling are critical perception issues for IROs. Executives may have bonuses tied to a specific stock price that has suddenly been reached, or options suddenly in the money, or both.

The temptation to sell stock is a mighty force and an IRO may have to vigorously counsel senior management on the optics of those decisions. Executive compensation expert Alan Johnson of Johnson Associates lays it out simply: "Avoid dumb mistakes."

Ask, "How will this be perceived?" advises Johnson. An IRO is the right person to advise senior management from an external perspective. Any insider transaction decision is always complicated, he adds. "There has to be discussion and consensus on when, how much, and how much equity to keep –smart management considers ownership minimums."

Additionally, stock disposition policies need to extend to board members so their actions are at least known to management. The time to craft these policies is before the issue comes up, not during a period when clear thinking is clouded. "Don't blindside IR," Johnson says bluntly. "It is easier to do the bad things when the stock is down. When the stock is up, everyone is watching."

Stock wealth can be a distraction for all employees and their morale. It is a sure topic of hallway chatter and a productivity killer if stock prices are incessantly monitored on smartphones. Johnson calls it the "Porsche Parking Lot Syndrome" – it's hard to focus on business when you're counting Porsches in the parking lot.

## The Optics of Insider Selling

The attraction for senior executives to sell stock after a sharp rise is understandable as many executives are founders with their wealth inextricably linked to their equity ownership. Many firms have tamed those instincts by promoting the adoption of 10b5-1 plans.

These plans effectively allow executives to predetermine the frequency and amount of stock sales. The selling schedule is set in advance with a broker, potentially separating trading-decision timing from any specific news.

For executives with 10b5-1 plans there are far fewer optics for IROs to manage, though as Katherine Ashley, a partner at Skadden specializing in M&A and corporate governance, states, "Catchy headlines that senior executives are selling can still happen, as people don't dig into the facts that those sales are planned and recurring as part of a pre-arranged 10b5-1 plan."

For firms without 10b5-1 plans, a program must appear to be an investor relations panacea, giving management cover to dispose of stock without connecting a selling motive to a particular event. Not so fast. Management must be sure they are free of any material non-public information (MNPI) before setting up a plan.

For firms rushing to set up plans with elevated stock prices there can be a perceived desire to allow executives an opportunity to capture attractive stock valuations. One common question is how long after the plan is established is the first trade permitted. "30 days is a commonly recommended minimum," advises Ashley, but she highlights that legislators have written the SEC to urge a four-to-six-month cooling-off period before the first trade is permitted.

U.S. Senators Elizabeth Warren, Sherrod Brown, and Chris Van Hollen claim some companies abuse 10b5-1 programs by clustering positive news releases around the dates when executives are selling, potentially juicing returns for these insider sellers. IROs need to holistically review the interplay of insider selling intentions, MNPI, corporate buyback dates, and company news releases to avoid any real or perceived conflicts that could quickly derail a firm's momentum.

Ashley said it is best practice for a company to be proactive with communication to non-executive employees about trading policies. They are equally excited about a company's good fortunes. "If the stock has an unusually volatile period, send out reminder emails company-wide if the firm is in a blackout." Everybody playing by the rules makes the IRO's job much smoother.

## Cashing in on the Animal Spirits

No one is more excited about big stock moves than investment bankers who besiege the CFO with calls to capitalize on a price bump by issuing more stock, known as a secondary or a follow-on offering.

The basic math is the company can move quickly, typically overnight, and any dilution will still leave the share price higher than before its run-up. For an IRO, the question about the potential of a secondary offering is inevitable as existing shareholders hate dilution.

Internally, that decision is far more nuanced, involving the capital structure, the cost of capital, spending plans, and previously announced intentions. An IRO needs to be "in the room where it happens" to provide perspective and to remind management that a secondary offering is a chance for a company to raise its profile, not just raise capital.

While it is common to use the same banker that brought the firm public, adding a new finance partner to a secondary offering can add value. One seasoned investor relations professional gave this blunt but beautifully veiled advice: "A company may consider leaving some room for a new bank for that may lead to more 'institutional awareness.'"

## Stay the Course

Higher stock prices bring a company and an IRO's work under greater scrutiny and with higher expectations. For early-career IROs, the dynamics created by higher stock prices will be new and challenging. The actions companies take during high profile periods are magnified and can either propel a company permanently forward or missteps can bring valuations back to earth.

For experienced and new IROs alike, the best path is to not let share price dictate the IR program. "Don't let the tail wag the dog," advises David Calusdian, President of the strategic advisory firm Sharon Merrill Associates. Stick to your plan and continue to tell the story consistently and credibly.

When the good news is gone, the IRO is still telling the same story. A higher stock price simply requires an IRO to make smart decisions while also being a human resources manager, compliance cop, and corporate strategist – things IROs are naturally good at and already do each and every day.

**Tim Galbraith** is Chief Investment Officer at Innovation Beta; tgalbraith@innovationbeta.com.

# SPACS

## The New Normal for IPOs

# Celebrities and others have gotten behind Special Purpose Acquisition Companies, but making them work requires more than hype and money. IR professionals can help.

BY EVAN PONDEL

Shaquille O'Neil, former U.S. House Speaker Paul Ryan, and investor Bill Ackman all have something in common. They are involved in Special Purpose Acquisition Companies (SPACs), one of the hottest investment vehicles to hit Wall Street in recent years that raised more than $80 billion in 2020.

And while SPACs are on track to breeze past that figure in 2021, the meteoric enthusiasm for these companies may be more down to earth now that the Securities and Exchange Commission (SEC) has stepped up its scrutiny.

The SEC is taking a closer look on how SPACs account for warrants and is cautioning investors not to purchase shares in these types of stocks solely based on celebrity involvement.

From an investor relations perspective, this all sounds like good common sense. In an era when Reddit and other forms of social media are stimulating the daily swings of stock prices like an energy drink, it's no wonder the SEC needs to ensure that investors of all shapes and sizes are well aware of the potential pitfalls of SPACs.

The frenzy surrounding SPACs also makes it abundantly clear that IR professionals play a critical role in helping these companies and their merged progeny communicate effectively, especially when it comes to managing investors' expectations.

"Given the wave of SPAC activity, it's becoming increasingly important to tell a story that really distinguishes your SPAC from others," says Joshua DuClos, a Los Angeles-based partner at law firm Sidley Austin. "And it's not just about why you are different economically. You have to focus on pedigree, track records, and experience in a given vertical. IR firms play a critical role in helping SPACs tell this story."

Standing out among the pack is challenging when there were nearly 250 SPAC-related initial public offerings in 2020 – a number already eclipsed this year. But just like telling a good story, developing a compelling and realistic thesis is key to connecting with high-quality investors.

### SPAC vs. De-SPAC

There are two main phases for these investment vehicles: the "SPAC" and "de-SPAC." The first phase is the initial public offering of the SPAC itself. This is when a "sponsor" – which could be a private equity firm, investment bank, or high net worth individual – forms a "blank check company" and takes it public to raise money for the purpose of acquiring an existing private company. The time frame to find a company or "target" is usually 18-24 months.

The second phase is the de-SPAC, which is when the SPAC identifies the target and merges with it, at which point the newly combined company becomes the publicly traded entity.

Each of these phases has specific needs from an IR perspective. Even before a SPAC goes public, sponsors need to think about how they are differentiating themselves from others. They should ask who the book-runners are, whether it makes sense to identify a niche for the target company, and if the management team for the SPAC has specific expertise that will spark interest from investors.

## Building Confidence

Once a SPAC goes public, it is important for Wall Street and potential target companies to know "the vehicle is not a fad," DuClos says. That is especially true in today's market where quality targets can be more discriminating due to the sheer number of SPACs.

SPACs that demonstrate industry know-how and solid relationships with investors will ultimately rise to the top. A private investment in public equity (PIPE) is a popular way to raise additional money for companies that merge with SPACs, which puts the onus on the SPAC to tell a story about why it has what it takes to get the deal done.

Communicating a management team's track record is a key determinant, while at the same time being realistic about its profile for risk, according to Fabio Simi, Senior Vice President at insurance company Marsh & McLennan, which specializes in directors and officers (D&O) liability insurance.

"A SPAC's story is more authentic when it discusses its opportunities and challenges," Simi says. "When SPACs go public, they are shell companies searching for a target, but that changes when a merger happens, and the story needs to continue to evolve throughout the process."

That doesn't necessarily mean a SPAC needs a celebrity to help sell its story. In some cases, celebrity SPACs are more of a distraction and even a red herring for serious investors. The challenge is SPACs often do not have much to say until a target has been identified.

The sponsors of a SPAC must do everything they can during the IPO to make sure "people believe in it," Matt Higgins, Chairman and CEO of Omnichannel Acquisition Corp. (OAC), said during a recent webinar on SPACs hosted by BusinessWire.

## Experience Counts

OAC is a SPAC that went public on the New York Stock Exchange in the fall of 2020, and Higgins said he is a firm believer that SPACs should consist of people who have operations experience to ensure a smoother transition when merging with a target company.

For example, the OAC website clearly states what the company is and who it intends to acquire, the background of its management team and board of directors is robust and relevant to the SPAC's focus, and IR materials are readily available, including corporate governance documents.

Engaging an IR professional before a SPAC goes public is helpful to better anticipate the needs and wants of prospective investors once it begins trading.

"IR professionals ensure that time and emotional capital are well spent by the time the company enters the de-SPAC phase," says Patrick Tracey, Director of Business Development at Morrow Sodali, a strategic advisory and shareholder services firm.

As the popularity of SPACs increased during the last couple of years, so did interest among retail investors. The spike in interest from these investors is making the transition from SPAC to de-SPAC more difficult when "getting out the vote" for shareholder approval of mergers.

Kevin Kelly, Senior Director at Morrow Sodali, said tracking down retail investors to drum up a vote in favor of a merger can be a very difficult task.

"The retail profiles of these stocks are changing from week to week," said Kelly, noting that SPACs must understand who their shareholders are well before approaching the de-SPAC phase and maintain an updated list.

Greater scrutiny from the SEC on how SPACs classify their warrants also has implications for how appealing the investments will be to investors and target companies. The SEC said that in certain cases warrants should be classified as "liabilities," which means the fluctuations in the value of warrants could affect financial results.

Reclassifying warrants as liabilities will also force many SPACs to restate their financial results, creating a potential obstacle when trying to move forward with a merger.

### Consummating the Merger

If shareholders approve of a SPAC's merger with a target company, it's off to the races for the IR team responsible for getting management ready for life under the microscope of investors.

Target companies that merge with SPACs do not have the luxury of months of preparation that comes with a traditional IPO, and management teams may have little experience running public companies. The IR team must prepare the CEO and CFO for meetings with investors and analysts, communicate quarterly financial results, and determine whether it makes sense to issue guidance.

Target management teams also have unique personalities and dynamics at play, with founders who don't always adapt well to the harsh realities of having to answer to tens of thousands of investors.

For this reason, DuClos says people who serve in an IR role during the de-SPAC phase must be prepared to give honest feedback to the C-suite, even when it goes against the grain of a hard-charging founder.

"You're dealing with visionaries who are used to doing things in a private context, and to try to convince them to do things differently from a legal and IR perspective can be difficult," DuClos explains. "The management teams of target companies need to understand there is a pace to telling a story, which consists of milestones and events."

### Engage With Analysts

Given the number of SPACs trading publicly, it is still a targets' market, and choosing the right sponsor is imperative when preparing to merge and go public. Now that PIPEs are a key ingredient of the de-SPAC, IR teams should note whether the investment bank consummating the deal has a sell-side analyst in place that will likely cover the newly merged company.

Ensuring at least two or three analysts are covering a company once it emerges from the de-SPAC brings credibility to a story in the eyes of the Street. And while it may be tempting to provide as much guidance as possible to appease a hungry investor audience, it is best to under promise and over deliver, instilling trust that the management team has the skills and experience to run the business and manage investor expectations.

"In many ways, the recent activity in SPACs is reminiscent of the dotcom bubble," observes Rob Vanderheyden, Vice President at D&O insurance provider Woodruff Sawyer. "The pipeline of viable targets is finite, and SPACs will eventually have to ask themselves if it's really worth going downstream to complete a deal.

"Having said that, high-quality deals will still get done," Vanderheyden predicts.

So far, DraftKings, QuantumScape, and Iridium are among the more notable companies that have merged with SPACs and are proving the investment vehicle a worthy journey. The ideal profile for a target from an IR perspective is a high-growth story with valuations that have plenty of room to grow once the company is trading publicly on its own.

And if a celebrity happens to align with a SPAC, it is advisable to ensure the celebrity knows how to talk to investors about the long-term prospects of a target. Signing autographs at a forthcoming investor day may be a nice draw, but the true test of a successful SPAC will be in the financial performance of its target. IR

Engaging an IR professional before a SPAC goes public is helpful to better anticipate the needs and wants of prospective investors once it begins trading.

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**Evan Pondel** is Founder of Triunfo Partners LLC and Chair of the NIRI Editorial Advisory Committee; epondel@triunfopartners.com.


Investors are taking a greater interest in sustainability as they evaluate investment opportunities.

Leading institutions such as BlackRock, CalPERS, and State Street have highlighted the importance of evaluating corporations' environmental, social, and governance (ESG) policies as part of their investment process. Sustainable funds are seeing increasing asset inflows, taking in $51B in 2020, up from $21B in 2019.

This is more than just a shift in investment methodology and asset allocation. Many on Wall Street are embracing a new perspective on the role and responsibility of corporations – one that is about more than profits.

Delaware courts have held that corporate directors have a fiduciary duty to make decisions that maximize benefit to shareholders. This focus on shareholder primacy helped successful corporations establish commerce, drive innovation, and accrue significant wealth.

## Multi-stakeholder Capitalism

For-profit organizations now represent massive amounts of wealth and economic power. If the 10 largest public U.S. corporations were a country, their combined revenue would represent the fifth largest country in the world by gross domestic product, surpassing the United Kingdom. However, public equities ownership is somewhat concentrated, with only 55 percent of Americans owning stock.

While for-profit businesses are neither the source of nor are they obliged to address all of society's problems, the scope of their responsibility can expand to align more closely with their reach and influence.

One way to achieve this is to adopt a Public Benefit Corporation (PBC) structure that allows corporate directors and officers to take a view beyond shareholders when making decisions.

Since nearly 70% of Fortune 500 companies are incor-

# Lessons Learned on the Road to Veeva's Conversion to a Public Benefit Corporation

**ESG issues have heightened the social consciousness of public companies for years. Now some companies are taking it a step further – converting their structure to a public benefit corporation.**

BY ATO GARRETT

porated in the state of Delaware, it was momentous when the state introduced its PBC legal structure eight years ago. Businesses that choose the PBC path, rather than traditional c-corporations, are legally obligated to consider the interests of more than just shareholders.

A PBC entity commits to two key mandates: 1) The company must adopt, publish, and pursue a public benefit purpose and report on progress in support of that purpose at least biennially, and 2) directors of a PBC have a fiduciary duty to balance the interests of shareholders, the interests of stakeholders materially affected by the PBC's conduct, and pursuit of the corporation's public benefit purpose.

### A Purpose-driven Structure

Veeva Systems is the leading provider of industry cloud solutions for life sciences – an industry dedicated to improving and extending life – so becoming a PBC was a natural fit. On January 13, 2021, 99% of voting shareholders approved Veeva's proposal to become a PBC and on February 1 we became the largest PBC and the first public company to convert.

Why did we make this change? We are driven by our core values: Do the Right Thing, Customer Success, Employee Success, and Speed. By converting to a PBC, we codified the first three of these values into the fiduciary responsibilities of our management and the board.

At Veeva, our public benefit statement is "to help make the industries we serve more productive, and to create high-quality employment opportunities in the communities in which we operate."

The commitment to our customers in our public benefit statement reflects our goal of becoming the most strategic partner to the life sciences industry. We help our customers get treatments to market with greater speed, efficiency, and compliance – helping improve the lives of patients worldwide.

We also recognize the critical role of Veeva's employees in the company's success. Veeva invests in employees and supports their development and mobility, including never imposing noncompete agreements as a condition of employment. This move demonstrates management's long-term commitment also to prioritizing employees in making decisions. We plan to report our progress on both fronts in an annual report starting next year.

## Veeva's PBC Journey

After years of research and consideration, our leadership decided to pursue a PBC conversion. Before putting the conversion to a vote, management wanted to get feedback and announced the creation of a committee to explore the conversion.

The committee proactively reached out to shareholders to gauge their sentiment about the possibility of Veeva becoming a PBC. We listened and shared what a PBC is and how shareholder and stakeholder interests would be balanced under the new corporate structure. Having an open dialogue allowed us to learn, address any investor concerns, and generated significant support among Veeva's investor base.

We discussed how becoming a PBC was in the long-term best interests of shareholders. For Veeva, becoming a PBC legally codifies our existing values of do the right thing, customer success, and employee success – and that's just good business.

We believe a dedication to the success of our customers will help us continue to grow our partnerships with them over the long term and focusing on employee success will attract the best talent to Veeva.

In the first few months since converting, we have received positive feedback from customers and saw a boost in our ability to attract talented employees in an increasingly competitive labor market. Employees take pride in working for a company that prioritizes more than shareholder returns.

## The IRO Role in Becoming a PBC

At companies that prioritize purpose, investor relations officers can help to facilitate this process. Make leadership aware of the PBC structure and of investors' increasing focus on corporate purpose as part of their investment decisions.

If your company chooses to become a PBC, get involved months before the shareholder vote. The IRO is integral in helping management create a target list for initial investor outreach and assisting in investor education.

While becoming a PBC is a unique consideration for any company, it's helpful to remember some common guideposts along the way:

- **Alignment is key.** Not just between the board and management but between your public benefit purpose and company operations. If the public benefit statement is inconsistent with company values, it could become a burden rather than an authentic call to action.
- **Communicate with your investors.** It's crucial to listen, get input, and communicate with investors on how converting to a PBC supports their interests. Many investors increasingly prioritize corporate responsibility and recognize that converting to a PBC can support both financial and sustainability objectives.
- **Being a PBC is not a substitute for an ESG program.** Although being a PBC may be a positive factor in some ESG frameworks, conversion alone is not a substitute for an ESG program.

> Leverage your network of IROs as your company considers its corporate responsibility approach, including whether to become a PBC.

Becoming a PBC is not a "check the box" exercise to boost a company's ESG score. It represents a shift in the fundamental obligations of a corporation and recognizes the impact of that company on society.

PBCs are one way that management can ensure they are taking a multistakeholder view – something that is becoming more important to investors. As the PBC movement progresses, it will be valuable for peer company IROs to connect and exchange insight on the process, considerations, and effects of converting to a PBC.

Leverage your network of IROs as your company considers its corporate responsibility approach, including whether to become a PBC. The lessons and learnings of your peers will help you craft your message to investors to align with the growing focus on ESG.

Investing is moving to a new paradigm that considers more than shareholder returns and IROs must be prepared to show how their company's performance benefits both owners and stakeholders. IR

**Ato Garrett** is Senior Director, Investor Relations at Veeva Systems; ato.garrett@veeva.com.

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# NAVIGATE THE NEXT

## Explore New Directions in Investor Relations

**Opportunities for learning, networking, and more await during this annual conference on June 22-23, 2021.**

BY AL RICKARD, CAE

As the nation emerges from the COVID-19 pandemic, NIRI is already thinking ahead about what comes next for the investor relations profession.

The theme of the NIRI 2021 Virtual Conference on June 22-23 is "Navigate the NEXT: Explore New Directions in Investor Relations."

Mark Warren, IRC, Vice President, Investor Relations, Vulcan Materials Company, and Chair of the 2021 NIRI Annual Conference Committee, says, "In 2020, we all experienced some type of disruption and change, and the NIRI Annual Conference was no different. In December, we successfully pivoted from an in-person conference to a virtual format, receiving lots of positive feedback from members. This year's Annual Conference Committee embraced the challenge of building on that momentum to offer even better opportunities for learning and networking. We hope attendees will take advantage of the enhanced platform and schedule."

A blend of formats – general sessions, 45-minute concurrent education sessions, industry breakout sessions, virtual IRC lounge discussions, and 15-minute Express Talks – offer several content delivery options to meet the needs of all attendees.

Leading IR product and service providers will offer their thought leadership and experience in many of the express talks. The Virtual IR Services Showcase will include more than 20 exhibits from all conference sponsors.

All sessions will remain online until September 24, 2021, so attendees can access the complete range of content from more than 25 hours of general sessions and cutting-edge IR education delivered by more than 100 speakers, all grounded in the NIRI IR Competency Framework.

The General Sessions will set the tone with a strategic perspective from thought leaders and leading industry experts on the key topics shaping the future of investor relations and capital markets engagement.

## IR and Social Change

Tuesday's General Session titled "Public Company, Public Voice," will explore the role of public companies regarding social change. It recognizes that some have referred to corporate CEOs as a new "fourth branch of government," highlighting the influential role they play in society.

Should public companies have a role in speaking out on and effecting social change? What, if anything, does it say about their companies if they remain silent on these issues? This session will address these questions and show how some companies are taking the lead in this area and the many shareholder/stakeholder considerations involved.

Michael Becker, Executive Vice President, Strategic Partnerships and Initiatives at Business Wire, Vice Chair of the 2021 NIRI Annual Conference Committee, will moderate the discussion with panelists Marc Pritchard, Chief Brand Officer at Procter & Gamble, Judy Samuelson Executive Director, Business and Society Program at Aspen Institute, and Ted Merz, Global Head of News Product at Bloomberg.

## Active ESG Investing

Environmental, social, and governance (ESG) issues continue to rise in importance as investors increasingly seek to support socially responsible companies. Once considered a relatively niche investment style, assets under management in funds that have some form of ESG focus have grown astronomically.

Wednesday's general session begins with a panel discussion, "A Healthier Planet Through Active Investing," that will explore this topic, including evolving standards for ratings, disclosure, and more. It will include discussion about a new breed of funds that take the next step for activist hedge funds, positively leveraging capitalism and governance in pursuit of a healthy planet.

Warren will moderate the discussion with panelists Eva Zlotnicka, Founder & Managing Partner at Inclusive Capital Partners and George Serafeim, Charles M. Williams Professor of Business Administration and the Faculty Chair of the Impact-Weighted Accounts Project at Harvard Business School.

## Learn the #Stonks Market

The second part of the Wednesday general session is equally compelling with a panel discussion, "Not Your Parents' #Stonks Market."

The stock market continues to evolve in often misunderstood ways. The recent "meme stock" WallStreetBets episode involving GameStop is a case in point. What forces drive this type of trading? Have market structure changes played a role? What are the implications and lessons learned for public companies in communicating with various stakeholders including the media, institutional and retail shareholders?

These questions and more will be answered as Moriah Shilton, Senior Vice President at LHA Investor Relations, and Vice Chair of the 2021 NIRI Annual Conference Committee, moderates a discussion with panelists Jason McGruder, Vice President, Investor Relations at Rocket Companies and Justin Schack, Managing Director/Partner at Rosenblatt Securities.

## NIRI Virtual Conference Sponsors

NIRI thanks the following sponsors of the NIRI 2021 Virtual Conference that enhance the event. (List current as of May 7, 2021.)

Explore their products and solutions that are specifically designed to support the IR community. Each company will exhibit in the IR Services Showcase, which offers opportunities to "pick up" brochures, watch videos, and schedule one-on-one meetings with company representatives.

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## Education Breakout Sessions

A total of 20 concurrent education sessions – five in each of the four afternoon timeslots – are structured around the 10 domains of the IR Competency Framework and will offer a blend of IR best practices and hot topics in the industry. The lineup includes a deep dive ESG track and special sessions on going public.

# NIRI Annual Conference Committee

NIRI thanks the following members of the Annual Conference Committee who are working hard to make this event the best possible experience for attendees:

### CHAIR

**Mark Warren, IRC,** Vice President, Investor Relations, *Vulcan Materials Company*

### VICE CHAIRS

- **Michael Becker,** EVP, Strategic Partnerships and Initiatives, *Business Wire*
- **Moriah Shilton,** Senior Vice President, *LHA Investor Relations*

### MEMBERS

- **Peter Azzarone,** Marketing Manager, *Nasdaq*
- **Katie Burke,** Investor Relations Manager, *Twitter*
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- **Mary Conway,** Principal and Founder, *Conway Communications*
- **Lesley Fishman,** Former Senior Director, Investor Relations, *Johnson & Johnson*
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- **Douglas Kris,** IRC, Senior Director, Investor Relations, *Compass Minerals*
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- **Joshua McGinn,** Senior Vice President, Western Region, Relationship Management, *AST*
- **Meaghan Montegari,** Director, Corporate Access, *Wells Fargo*
- **Michael Rosen,** Head of Capital Markets Engagement, CEO Investor Forum, *Chief Executives for Corporate Purpose (CECP)*
- **Patrick Tracey,** Director - Business Development, *Morrow Sodali*
- **JC Weigelt, IRC,** Vice President, Investor Relations, *nVent*

### COMMITTEE BOARD LIAISONS

- **Victoria Sivrais,** Founding Partner, Clermont Partners, NIRI Board Chair-Elect (2022)
- **Ruth Venning, IRC,** Executive Director, Investor Relations, Horizon Therapeutics, NIRI Board Chair (2021) - ex officio

**The 10 domains include:**

1. IR Strategy Formulation
2. IR Planning, Implementation and Measurement
3. Corporate Messaging Development
4. Marketing and Outreach
5. Financial Reporting and Analysis
6. Business Insights
7. Strategic Counsel and Collaboration
8. Capital Markets and Capital Structure
9. Corporate Regulatory Compliance
10. Corporate Governance

**Sessions include:**

**Tuesday, June 22, 3:00-3:50 p.m. ET**

- The Evolving ESG Landscape: What do IROs Need to Know? (Domains 1, 7, 10 and ESG Track)
- SPACs: The Emerging Capital Markets Tool and Opportunities for IR (Domains 4, 6, 8 and Going Public Part 1)
- The Economics of the Sell Side and Implications for SMID Coverage (Domains 1, 2, 4)
- Strategy for More Proactive Communications vs. Reactive Communications (Domains 1, 2, 7)
- Using AI to Level the IR Playing Field (Domains 2, 5, 6, 9)

**Tuesday, June 22, 4:00-4:50 p.m. ET**

- How Investors are Looking for the “S” in “ESG” (Domains 1, 10 and ESG Track)
- The Corporate Governance Journey (Domains 7, 10)
- How the Rise and Shifting of New Trading Patterns Affects the IR Community (Domains 6, 8)
- Virtual Investor Days – Leveraging Technology to Elevate your IR Strategy (Domains 2, 4)
- Crisis Communications & Dealing with Disinformation: An IR Survival Guide (Domains 2, 7)

**Wednesday, June 23, 3:00-3:50 p.m. ET**

- Diversity, Equity and Inclusion: How Are Companies Responding to Stakeholders on these Issues? (Domains 7, 10)
- The Real Deal: ESG, Cost of Capital and Access to Capital (Domains 1, 5, 6, 8 and ESG Track)
- Virtual, In Person or Hybrid: What Does the Future Look Like? (Domains 1, 4)
- How to Get the Most out of Q&A Sessions (Domains 2, 3, 6)
- How to Successfully Navigate Reg FD Compliance and the Street’s Data Needs (Domains 4, 9)

**Wednesday, June 23, 4:00-4:50 p.m. ET**

- Addressing the Investor Demand for Climate-Related Disclosures (Domains 1, 5, 10 and ESG Track)
- Direct Listing vs IPO: Which is Better for Your Company? (Domains 6, 8 and Going Public Part 2)
- Best Practices for Measuring the Effectiveness of Your IR Program: What's in Your Toolbox? (Domains 1, 2, 7)
- Best Practices for Interacting with Potential Shareholders (Domains 1, 4)
- Beyond the CEO & CFO: Building an All-Star Bench of External Speakers (Domains 4, 6, 7)

Speakers will be available live during the sessions to participate in the chat and provide additional commentary.

This format provides an opportunity for questions and answers in real time, deeper discussion with speakers, and peer to peer engagement where attendees can share their own experiences and insights with others.

The complete lineup of education breakout sessions is shown in the sidebar on this page.

### Industry and IRC Discussions

The mid-afternoon timeslot on Tuesday will feature industry-focused breakout discussions to provide IR professionals an opportunity to network and discuss common issues within their sectors.

On Wednesday, the mid-afternoon timeslot will include several "Virtual IRC Lounge Discussions" that are interactive, facilitated discussions focused on themes and topics falling within several domains of the NIRI IR Competency Framework. All attendees are welcome to participate in any of these even if they do not hold the IRC credential.

### Networking and More

The events on Tuesday afternoon conclude with a Virtual Networking Reception for all attendees based on a fun event.

Members of the NIRI Senior Roundtable will also hold a networking reception on Wednesday afternoon.

NIRI also plans to recognize new NIRI Fellows, new IRC holders, and members of the 40 Under 40 group of IR professionals during the conference.

Attendees also have an opportunity to create their own focused group chats in the meeting platform, which is the same one used successfully for the 2020 NIRI Conference. Video chats including up to five people can also be set up. It is easy to engage and connect with friends and colleagues spontaneously throughout the event.

## Pre-Conference Sessions Cover Several NIRI Programs

Get an early start to the NIRI 2021 Virtual Conference at one these four special pre-conference sessions to be held on the afternoon of Monday, June 21:

- NIRI Conference Orientation – Get a structured overview of the conference, its content, the meeting platform, and more. 12 p.m. ET.
- IRC Information Session – Learn about the prestigious Investor Relations Charter (IRC) program, including eligibility, the application and preparation process, examination, and recertification. 1 p.m. ET.
- NIRI Senior Roundtable (SRT) Information Session – SRT is designed for IR professionals who have at least 10 years of experience in the profession. Learn more about what it offers and how to apply. 2 p.m. ET.
- Developing Leaders Roundtable Session – This new NIRI program supports mid-career IR professionals. This interactive session will provide a roadmap to evaluate and strengthen your leadership brand. 3 p.m. ET.

### Register Early

Registration for the 2021 NIRI Virtual Conference includes full access to the live event and recorded content on demand until September 24, 2021.

It is open to IR practitioners (corporate and counselor), members of affiliated professions, and a limited number of sponsoring IR service providers.

Attendees who register by early June will receive a gift box with surprises that will arrive a few days before the event. Be sure to register early enough to receive this gift.

Learn more about the entire conference at www.niri.org/virtualconference.

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**Al Rickard, CAE**, is Director of Communications at NIRI and Editor-in-Chief of IR Update; arickard@niri.org.

# What Are the Qualifications of an Outstanding IRO?

BY CHRISTIANE PELZ

NIRI Philadelphia hosted a webinar on "Qualifications of an Outstanding IRO" in early February 2021. Moderated by chapter President Lisa Caperelli, the panel included:

- CFO: Joe Wolk, Executive Vice President, Johnson & Johnson
- Sell-side analyst: David Amsellem, Senior Research Analyst, Piper Sandler
- Buy-side analyst: Terry Smith, PhD, Director Life Sciences Research, Emerald Asset Management
- Investor relations recruiter: Smooch Repovich Reynolds, Managing Partner, ZRG Partners

Each panelist offered a different perspective of the investor relations role and what IR professionals must do to balance the needs of the various stakeholders. While each stakeholder and company will have different needs and philosophies, the panelists agreed that the main skills of a strategic IRO are to build a shareholder base that understands the company story and key messages, and to be able to provide insights – whether positive or negative -- to both management and analysts. Key expectations for IROs are highlighted below.

- **Broad Skill Set and a Point of View** – Companies are looking for IROs who have a broad skill set and a point of view that helps them weigh in on topics beyond investor relations. IR is at the intersection of everything. Knowledge of peer companies is key in any industry, and in some sectors an understanding of the specific operating environment is a big plus.
- **Message Delivery and Feedback** – This is a key area where IROs can provide value. IROs need to be able to deliver both good and bad messages to management. They should have the fortitude to tell management things they don't want to hear. Wolk said he expects to receive advice on how to deliver challenging feedback so it can be embraced. IROs are the stewards of the relationship with investors and the information they learn from investors needs to be provided to management. How is the messaging resonating? Reynolds said management teams want an IRO with a spine and a point of view.
- **Curiosity About the Business** – Having a curious mind and the ability to anticipate needs – internally and externally – are key. Investors think differently and try to anticipate

what might happen, and to the extent an IRO can help them think through issues, the more helpful he/she is to the buy side. In addition, their insights may be helpful to the management team. Wolk believes a great IRO who understands a company's principles and business can have a profound impact. Benchmarking is invaluable.

- **Strategic Thought Partner and Advisor** – The more involved the IRO is at a senior level, the more valuable the person is to both management and investors. IROs are encouraged to create opportunities to be part of the discussion at the senior level. The ability to be a trusted advisor is borne out of experience and gravitas. However, there are opportunities to work on acting like an advisor throughout someone's career even if you are the number-two or even number-three investor relations person.
- **Psychological Business Partner** – Understand investor psychology, study the markets, and know why stocks move. While the IRO's job is not to monitor the stock price daily, it is helpful to have insights to add value for the CEO, CFO, or even investors when the stock makes large moves. Being an educator is part of the job. While being knowledgeable is important, Amsellem mentioned it is not productive to contradict or try to persuade sell-side analysts that they are "wrong." Smith does not think an IRO should "promote" the stock either – IROs should be "neutral."
- **Accessibility and Proactivity** – Don't be a "cricket." It seems obvious that IROs need to be accessible, but not all communicate back to investors. Strive to be proactive in communications and highlight significant facts and developments.
- **Preparation** – When asked what candidates have done poorly in the recruiting process, Reynolds noted that some IROs have not been prepared for meetings. Ask good questions and show interest if you are interviewing. Being unprepared is simply not acceptable.

The panelists also discussed how going virtual this past year has changed their roles. Overall, it hasn't been too disruptive as the technology has been great, but there are drawbacks. For some, the volume of meetings is the same, but for others meeting frequency has increased without the need for travel. There are more group meetings now, and also fewer meetings arranged through brokers.

The loss of in-person meetings means a certain loss of energy and the ability to "reciprocate" and have varied and informal conversations. The use of video is helpful, but not all investors turn on their cameras. One suggestion is for meeting sponsors to use the wait room to make sure videos are turned on before allowing people to enter the meetings. The demand to attend fireside chats has also decreased as investors prefer to read the transcript to save time for more one-on-one meetings.

In closing, each panelist left the audience with a key message. Those were:

- Gain clarity on the company and focus on what to improve upon.
- Understand what's important to investors and sell-side analysts.
- Have a broad business acumen.
- Don't make it difficult for investors to reach you. IR

**Christiane Pelz** is Vice President, Investor Relations at Five Below, Inc. and Treasurer of NIRI Philadelphia; christiane.pelz@fivebelow.com.