IR UPDATE

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

Not Your Parents' Stock Market: The Evolution of the Retail Investor

The pandemic and other market forces combined to change the profile and trading patterns of many stock market investors

NIRI
THE ASSOCIATION FOR INVESTOR RELATIONS

FALL 2021 | **CONTENTS**

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Founded in 1969, NIRI: The Association for Investor Relations, (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 with more than $7 trillion in stock market capitalization. NIRI is dedicated to advancing the practice of investor relations and the professional competency and stature of its members.

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Parting Thoughts

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

In this, my final "At the Bell" column, I find myself reflecting on a year of continued disruption and change accompanied by progress and innovation. This issue of *IR Update* aptly reflects the ever-changing landscape of IR and how NIRI members are rising to the challenges – and opportunities – they present in areas such as the evolving world of ESG, meme stocks, retail investing and direct listing options.

I'm also reflecting on how fortunate I've been to serve this year with such a great group of people. I can't thank NIRI President and CEO Gary LaBranche enough for all his wise counsel and efforts, as well as the entire NIRI staff; thank you for all you do for us! I also want to thank all my fellow NIRI Board members for their tremendous involvement and support, with special thanks to outgoing Board members Melissa Plaisance; Pat Davidson; Jennifer Driscoll, IRC; Jeffrey Smith, IRC, CFA; and Associate Member Director Tim Quast. And welcome to our new Board members Clayton Bilby, IRC; Alexandra Deignan; Kim Pinyopusarerk, IRC; Robert Williams and Associate Member Director Andy Detwiler. Finally, I leave you with the very capable leadership of Victoria Sivrais, your next NIRI Chair. NIRI is in good hands!

It is with sadness that we note in this issue the loss of one of NIRI's founding members, Dick Morrill, this past August. I am only one of many who fondly remember him and all he did for NIRI. Dick epitomized for me the attributes that makes NIRI so special – our capital markets' expertise, our ethics and our focus on advocacy, community and education – he exemplified them all, underscored by his continued interest in NIRI and IR over the years. He will be missed, but his legacy lives on.

Part of Dick's legacy is volunteerism, the lifeblood of NIRI. I encourage you to get involved, if you aren't already – whether it's in your chapter's leadership, as an advocacy ambassador or in the multiple other opportunities NIRI offers. It's been one of the most rewarding aspects of my IR career. And of course, it has been to serve as your Chair this past year.

As I write this, I am getting ready to attend the NIRI Senior Roundtable in December – in person! I am so looking forward to seeing fellow SRT members in Austin to catch up and share insights and ideas. Many thanks to the Senior Roundtable Committee and especially Katie Royce, SRT Chair (and NIRI Incoming Chair-Elect) for their great work in coordinating the event. I'm also looking forward to next year in Boston from June 5-8, 2022, for the first in-person NIRI Annual Conference in two years – I hope to see you there! IR


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IR Update Wins Fourth Magazine Award This Year

The quarterly 2020 issues of *IR Update* won four major awards this year.

Most recently, the magazine received a Silver Award in the Quarterly Magazine category in the Association Trends "Trendy" Award competition. The award recognizes overall magazine excellence in the association community.

Earlier, *IR Update* was recognized with a Bronze Award for General Excellence in the Association Media & Publishing Network Associations Council Excel Awards competition. The Fall 2020 issue, which focused on artificial intelligence, also won a Silver Award for a Single Topic Issue in this competition.

IR Update also won the Magazine of the Year Award from the American Society of Business Publication Editors. It was honored in the category of magazines with nine or fewer issues per year.

"We are very proud of *IR Update* magazine," says NIRI President and CEO Gary LaBranche, FASAE, CAE. "The 2020 editions featured theme issues on COVID-19, diversity in the profession, and artificial intelligence, and these clearly resonated with readers and the award judges. The design and layout of the magazine is also outstanding, adding up to a high standard of overall excellence." IR

NIRI Launching Compass Mentor Program

NIRI is launching a pilot Compass Mentor Program to help create a pathway through NIRI leadership to nurture existing talent and create a long-lasting bond between senior IROs (leaders) and newer IROs (achievers) within NIRI.

The program will use a match-making approach to pair approximately 10 leaders and achievers in this pilot phase as they create mentoring journeys. The program is designed specifically to benefit underrepresented groups, but all are welcome.

"The Compass Mentor Program will focus on providing achievers with IR career guidance from experienced leaders with a specific focus on encouraging relationships, engagement and opportunities for the achievers within the NIRI community," says NIRI President and CEO Gary LaBranche, FASAE, CAE.

"We expect the program to help build an inclusive mentoring culture centered on learning, sharing new ideas, and creating a shared vision."

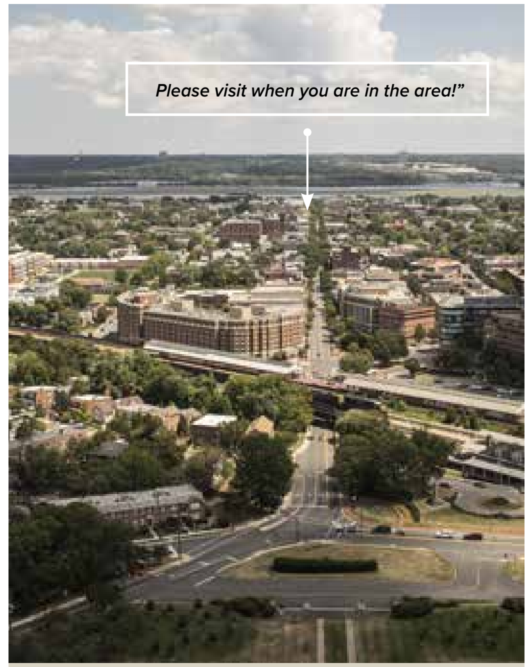
More details will be announced as the program develops. IR

NIRI Leadership Week Set for September 21-23, 2022

The 2022 NIRI Leadership Week is scheduled for September 21-23, 2022, in Washington, D.C. The objective of Leadership Week is to mobilize grassroots support for NIRI advocacy priorities.

Each September, NIRI holds Leadership Week in Washington, DC, bringing members in to meet with senior Securities and Exchange Commission staff to raise IR professionals' regulatory concerns and to hear the staff's views on key IR issues. NIRI also arranges meetings with U.S. House and Senate staff so IR professionals can share their views on key regulatory issues for public companies.

More details will be announced in the coming months. IR



NIRI Moves Into New Office in Alexandria, Virginia

NIRI has moved into a new office in Alexandria, Virginia. The new space offers modern amenities and is conveniently located within the city just a short distance from the previous office.

"Our new space is well-suited to the hybrid work style of the NIRI staff team," says NIRI President and CEO Gary LaBranche, FASAE, CAE. "With a smaller footprint and cloud-based technology infrastructure, the move provides economy and flexibility to support the professional staff team into the future. Please visit when you are in the area!"

The new address is:
NIRI: The Association for Investor Relations
908 N. King Street, Suite 310
Alexandria, VA 22314

Brook Wootton, IRC, and Valerie Haertel, 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 the growing number of senior-level members in NIRI: The Association for Investor Relations. 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.

Brook E. Wootton, IRC
Vice President, Investor Relations
Primoris Services Corporation
Years in Investor Relations: 25
Joined NIRI in 1996
Joined Senior Roundtable in 2012

Why did you join Senior Roundtable?

The Senior Roundtable brings together an exceptional group of leaders, and I wanted the opportunity to work with them and learn from them.

What have you found most valuable about being a member of the Senior Roundtable?

I now have a trusted group of peers with whom I can discuss how emerging issues are affecting other companies and industries. It's not only an opportunity to learn, but a chance to collaborate and work together to create better solutions.

What is the toughest IR challenge you faced in your career?

One of the most challenging and rewarding IR jobs I have had was taking a private company public. Part of my role was to educate the c-suite, operations, and the corporate family on how managing a public company is very different from managing a private one. I hadn't expected so much of my focus to be on coaching the owners and leaders to adopt a mindset to embrace change. Establishing the story and creating the right corporate governance environment, reporting structures and cadence were important. Building an IR program from scratch was a great experience and a lot of fun.

If you could have had another career than IR, what would it have been?

I would have been a teacher; my entire family is educators – college and high school. Today, I use the same skills to educate investors about the company in which I work, and I mentor others. Giving back to the profession is very important to me.

Is there anyone who had a major influence on your career? Why?

My mother was my biggest influence. She would always tell me when things were hard or scary, remember to never be afraid of the darkness because that is when stars shine the brightest.

What is something surprising about yourself that no one knows?

I love horses. I used to barrel race when I was younger. At age 13, my horse threw me and my dad sold her the next day. I will always be a cowgirl at heart.

What is the one quality you feel best describes you?

Loyalty – to the investor relations profession, my company and my family.

How did you get into investor relations?

I worked in strategic planning for a private company that was purchased by a publicly traded company. My mentor, the new COO, pulled me over to work for him because I had a background in the research side at EF Hutton.

What advice would you give a person starting out in IR?

Never be afraid to ask questions or take an assignment that would be a stretch for you – it is how you grow. One of the best courses I took was the Fundamentals of IR, which gave me a solid overview of the job and really helped me understand the reasons behind the rules and practices we follow. Get involved at the local level of NIRI – it will be the best move you will make for your career and the friendships you make will last a lifetime.

What is the funniest thing that happened to you as an IRO?

It was early in my career. I was going to save the company I was working for 25% on our next earnings conference call so I had changed providers. I left the c-suite executives in the boardroom with the vice president of investor relations and moved to the "communications line" room, which was in a glass office that faced the chairman's executive assistant. This was back when you had to dial into a second phone line to hear the call when on the communications line. I was speaking with the second operator when I saw the chairman's executive assistant phone lines light up – all of them! She answered the first line, stood up, dropped the phone and ran into the boardroom. Apparently when they had tested the phone line, they had forgotten to put it back on mute. One of the management team members had recently started dating and the entire c-suite was discussing his dating life on an open line with more than 500 people listening to them. Moral of the story: *always* check the mute button.

Valerie Haertel
SVP, Investor Relations
Cedar Gate Technologies
Years in Investor Relations: 26
Joined NIRI in 1995
Joined Senior Roundtable in 1995

Why did you join Senior Roundtable?

For networking with senior practitioner peers and keeping up with best practices.

What have you found most valuable about being a member of the Senior Roundtable?

The high-quality programs and networking with peers. There is always something new to learn to bring back to your company. I have also found that each company has its unique situations and challenges and when something arises that you have not tackled before, there are others in the profession who are there to talk about their experiences and help you. It is a collegial profession and I really value my peer perspectives. I also enjoy helping others when given the opportunity.

What is the toughest IR challenge you faced in your career?

I have faced many challenges, which is what makes the profession interesting. I love a good challenge and the associated opportunities that come along with them to creatively solve problems. If I had to pick one experience, I would say helping a company through an activist investment campaign. I had two of those experiences, each with a different outcome. Variables included the management team, alignment with the board, and how the company viewed their options to determine the ultimate outcome for the company. It required a lot of organization, strategic thinking, teamwork, enhanced investor messaging and very active outreach to investors to keep a pulse on the activist angle and their communications with the investment community. I learned a great deal through those situations while also contributing meaningfully to the companies where I worked. Managing through two of these situations and learning from SRT peers who tackled similar challenges solidified that fact that there is no one-size-fits-all approach to any challenge, even when circumstances appear to be very similar.

What is the best/worst thing to happen in your IR career?

The best thing was having the opportunity to serve on the National NIRI Board of Directors and then as chair. I enjoyed working shoulder-to-shoulder with so many talented IROs on the board and I was incredibly honored to be selected to serve as chair. In the year leading up to serving as chair, we were in the process of searching for a new NIRI CEO. It was an exciting time and also nerve-wracking since we experienced leadership turnover and needed both stability and someone who could reimagine NIRI and drive growth. We had a lot on our plate at the time along with a lot of great talent interested in this position, which made it a tough decision. My term as chair began with this important search in progress and I had the honor of taking the reins and leading the selection committee, and ultimately negotiating with Gary LaBranche to bring him on board. From the moment we had an opportunity to meet, we knew Gary was special and could be our "unicorn." We felt he could take on the challenges we faced as we looked toward the future and infuse some fresh thinking into the organization. Looking back, I believe he has been the right leader at the right time for NIRI, and he continues to surpass expectations. I remain very proud of that important accomplishment.

What is something surprising about yourself that no one knows?

I was a whitewater rafting guide in my late 20s. I guess that goes to show that I do have a penchant for having some excitement in my life!

How did you get into investor relations?

Like most professionals, I became aware of the profession after I was working for a few years after college. I was in IR consulting and worked with management teams and IROs. I thought at that time that one day I would like to be on the other side of the phone. An opportunity arose to join the Nasdaq Stock Market as a director of market services and after a few years there, I was offered an opportunity to be an IRO at a small telecommunications company that was about to restructure and spin out a new company. They were looking for someone with market knowledge and IR experience. It ended up being a great fit. I helped them work though the restructuring and listing of a new publicly traded company. What is interesting is that I now have a similar opportunity to potentially take another company public. After leading IR at so many sizable organizations, it is a lot of fun to be at a smaller high-growth enterprise and tackle some new challenges with a group of passionate, supportive, hard-working and collegial executives.

What advice would you give a person starting out in IR?

Work hard and learn as much as possible about your company, industry, and the IR profession. At work, volunteer for special projects and ask to take on new challenges so that you can grow and be exposed to other areas that are not strictly IR. Stay connected to NIRI. Show up at meetings, volunteer and be open to learning. NIRI and the Senior Roundtable are safe havens to ask questions about any topic to gain different perspectives and learn about the experiences of others. NIRI programs are rich with content and there are plenty of opportunities to volunteer at the local and national level. As you go through your career, you will always need others and others will need you. Most of all, enjoy what you are doing and where you are working. When you are not having fun anymore, learning, or able to contribute and feel good about what you are doing, move on. There are always plenty of opportunities and often, better ones than you could have imagined, around the corner. Finally, in keeping with this theme, listen, stay open-minded and take chances.

> "Enjoy what you are doing and where you are working. When you are not having fun anymore, learning, or able to contribute and feel good about what you are doing, move on."
>
> — **Valerie Haertel, IRC**

What is the one quality you feel best describes you?

Passionate. I am passionate about all that I pursue in my professional and personal life. IR

Dick Morrill: NIRI Founder and IR Legend

NIRI lost a kind, friendly and respected member when Dick Morrill passed away earlier this year at age 99. Everyone who met him was touched by his enthusiasm and passion for NIRI.

BY AL RICKARD, CAE

Dick Morrill, a co-founder of NIRI in 1969-70, died on August 14, 2021, at age 99. He was a veteran investor relations professional when he helped form the Investor Relations Association with eight others in New York in 1967. Among these early pioneers was the group's president, William "Bill" Chatlos, who is believed to be the only remaining co-founder.

Within a couple years, the group soon grew to about two dozen members and Glenn Saxon, John Gearhart, Alan Singer, and others advocated that a national organization was needed to advance professionalism in IR. Most of the members of the Investor Relations Association agreed, and NIRI was formed. Dick Morrill's signature, as Secretary of the group, appears on NIRI's founding documents.

The rich history of NIRI is available in the comprehensive "Origins of NIRI," which Dick Morrill wrote to commemorate the organization's 25th anniversary.

"I hope you were among those fortunate enough to have met Dick in person, as many of us did during the 2019 NIRI Annual Conference," says NIRI President and CEO Gary LaBranche, FASAE, CAE. "He was the guest of honor during NIRI's 50th anniversary celebration and delighted the audience of nearly 1,000 when he wished NIRI a 'Happy Birthday!' Filled with warmth and sparkling wit, he took particular joy in talking with younger members, especially the members of the inaugural class "40 Under 40" class, who gave him a resounding standing ovation. It was an amazing night, one that brings tears to my eyes as I recall that special evening.

"His daughter, Judy Morrill, accompanied him on that trip two years ago, and was at his side when he passed. In sharing the news about her dad, she also shared how much that 2019 trip meant to him, and how proud he was of NIRI. I could feel that sense of pride when I spoke with Dick, but also something else. He was proud of what NIRI had become, for sure, and proud that he had something to do with its creation and development. But he was delighted that it would continue onward long after him, serving the profession he loved, supporting the IR community, and advancing knowledge and ethical practice."

The obituary about Dick published at darienite.com noted, "He will be lovingly remembered for his quick wit, his infectious laugh, his encyclopedic knowledge on almost any subject, his unique aptitude for enlightening conversation, and his rich appreciation of humanity."

Darienite.com went on to report that Dick was born in Grand Rapids, Michigan on July 8, 1922, and graduated from Williams College in 1945. During World War II, he served as an ambulance driver with the American Field Service (AFS) in the Burma campaign. After the war Dick remained active with the AFS, including serving as chaperone for the initial international exchange students in the United States in 1948. That program now has over 275,000 alumni.

Dick began his career in 1949 as a reporter with the Wall Street Journal in New York and in Dallas, TX where he met his future wife, Jane Polk Ball. He went on to a career in the nascent field of investor relations at Olin Mathieson, Indian Head Milla, Bangor Punta, Lone Star Industries, Carl Byoir & Associates, the Omega Group, and Morrill Associates.

Remembering Dick Morrill

"I feel very fortunate that I had the chance to meet Dick at NIRI's 50th anniversary conference. His joy, passion for IR, and warm-heartedness was evident and infectious."

Ben Ashwell, News Editor, Live Journalism, The Wall Street Journal

"I am so grateful for Dick's amazing contributions to this world. He made an impact on more people's lives than he could have known. NIRI has been fundamental to my success in IR."

Lisa Hartman, Senior Vice President, Head of Investor Relations, Redwood Trust, Inc.

"What a gentleman and a gentle man—a trailblazer and great example for our profession. Rest in peace."

Bernard Kilkelly, Vice President, Director of Corporate ESG Disclosure, Governance & Accountability Institute, Inc.

"What an awesome person—full of life, full of humor, full of enthusiasm for IR. Rest in peace Dick, you were a legend and one of the nicest people anyone could ever meet."

Jeff Morgan, FASAE, CAE, President & CEO, Club Management Association of America; former President and CEO, NIRI

"Very sad news. He was an inspiration. We had many great memories."

William Walkowiak, Retired Investor Relations Professional

In retirement, Dick's interests were diverse. He travelled abroad regularly and was a welcome and expected presence at all family gatherings. He took great pleasure in researching and writing on history—particularly family history. Just this summer he completed a monograph on Admiral Richard H. Jackson, Commander in Chief, Battle Fleet, during the 1920s.

Dick was a member of the vestry at Saint Luke's Episcopal Church in Darien, CT and the Church of the Epiphany in Southbury, CT. He enjoyed his memberships in the Burma Star Association, the Society of the Cincinnati, the Nutmeg Curling Club, and the Tokeneke Club.

The joy of Dick's life was his family. He was predeceased by his wife Jane, his sisters Julia Ramage and Joan Patterson, and his daughter, Susan Wommack (Clay). He is survived by his daughters Marian (William Fisher) and Judy (Randy Taylor), and six cherished grandchildren, Carter, Jane, Abigail, Robert, William, and Jonathan.

NIRI Members Remember Dick

Many NIRI members offered their condolences and shared stories about Dick and his contributions to NIRI. Their stories follow.

Brad Allen, NIRI Chair, 1996-1997

My connection with Dick grew over coffee and conversation at NIRI Conferences after I left active practice and was writing for IR Magazine. Dick's beaming smile, enthusiastic greeting and delight in being among IR practitioners were palpable and genuine.

Dick started in IR when earnings releases were hand-carried to analysts' offices, before that new-fangled technology—the FAX machine—was introduced. Even as he slowed physically, he remained quick witted, mentally sharp and keenly interested in keeping up with the latest IR trends—hence his continued attendance at NIRI Annual Conferences.

He delighted in seeing new generations of smart and dedicated men and women (another "innovation") continue to advance the practice. Dick's dedication to and fondness for both NIRI and the best of IR were his lasting contributions to all of us. But his gentlemanly manner, beaming smile and enthusiastic friendship are his legacy.

Don Allen, Partner, The Allen Group

It saddens me to hear that Dick has left us. I joined NIRI in 1974, in the Los Angeles chapter, at the encouragement of great friends like Al Melrose, Charlie Cohen, Bill Chatlos and so many more. NIRI leaders like these would take the time to answer a phone call, chat at meetings, and provide support for new IROs and new chapters as they were formed.

In 2013, when the first class of NIRI Fellows was inducted, a less formal chapter dinner meeting was held on Saturday evening, Dick was the keynote speaker and regaled us with stories of the early days. He was quite a good, humorous and knowledgeable speaker. He brought down the house, of course. My only problem was that Jeff Morgan, NIRI President and CEO at the time, asked on short notice if I would please speak after Dick. I somehow survived, but I have to say, Dick was a tough act to follow.

God bless Dick. He'll always be held in high regard and will forever be the best friend IROs could ever have.

Doug Wilburne, NIRI Chair, 2011

I met Dick Morrill at my first NIRI Annual Conference in 1996 in Naples, FL. I had just joined the Bell Atlantic IR team a few months earlier, so I was quite green when it came to IR matters. I had no idea who Dick was, but, as it turns out, I had run into a wellspring of information and knowledge about our field. I would often see Dick at annual conferences, and he was always perfectly willing to share ideas and historical perspective on the science and art of investor relations.

One year, I brought up the topic of whether communications or financial acumen was the more important element of our profession, as it was a prominent NIRI discussion at the time. Dick enlightened me with an insight that would be the critical underpinning of my entire IR career. Dick explained that while communications and finan-

1 Dick Morrill wishing NIRI "Happy Birthday!" at the 50th Anniversary Celebration at the 2019 NIRI Annual Conference. He was joined onstage by NIRI President and CEO Gary LaBranche, FASAE, CAE (left) and NIRI Chair Mark Donohue, IRC, Vice President, Investor Relations, Clarivate Analytics (right).

2 Dick Morrill was part of the inaugural class of NIRI Fellows in 2013. inaugural Fellows shown here (left to right) include Don Allen; Sally Curley, IRC; Mickey Foster; Karen Warren; Len Griehs; Kay Breakstone; Jane McCahon, and Dick Morrill. Inaugural Fellows not shown include Mark Aaron, Mark Steinkrauss, and Bina Thompson.

3 Dick Morrill telling a good story from the podium at the NIRI 50th Anniversary Celebration.

4 Dick Morrill as a young man.

cial acumen were critical, the discussion of which was more important was a misdirected pursuit.

This was because Dick deeply believed that ethics was an even more important element in an IR professional's portfolio. Without it, the rest doesn't matter. His philosophy, which is evident in his "Origins of NIRI" paper, emphasized that an IRO's most important attribute is credibility and that without a transparent, honest presentation of the facts, you are no better than a snake oil salesman. So, while it is our job to sell our company, it is also our job to not oversell our company and, importantly, to remind management of the same.

Thanks, Dick for your excellent ethical leadership and trailblazing for IR!

Sally J. Curley, IRC, CEO, Curley Global IR

I was so very sorry to hear this news. Dick was such an inspiration to me when I entered the field of investor relations decades ago. He was a pioneer, passionate about the pursuit of the profession, and embodying ethics, humility and honesty. His vision led to the creation of—eventually—an association (of IR) that would, and does, support all its members worldwide.

Dick, I had the surreal honor of being inducted into the Fellows class alongside you. I was and am incredibly humbled by all that you've accomplished, and your impassioned speech at that ceremony in 2013 brought tears to all our eyes. You are loved and respected, and sorely missed. Be assured that your legacy goes on, and rest in peace.

To Judy and the remaining members of Dick's family, you have my deepest sympathies. Hopefully there is some solace in knowing what an indelibly wonderful footprint Dick left on the world.

Kimberly Esterkin, Managing Director, Investor Relations, ADDO Investor Relations and President, NIRI Los Angeles chapter

It is hard to hear this news. I met Dick for the first time at a NIRI National Conference in Phoenix. Dick was attending the awards dinner the night before the conference started. Dick and his daughter came up personally to congratulate me on my award (inaugural class of 40 under 40), and he asked if I wanted to take a picture with him. I said yes but would you take a picture with me, the honor is mine. So Dick along with Gary LaBranche joined me in a picture, and I'm not sure I've smiled so big in a long time.

Dick's daughter was so proud of all her father had done for our industry, and I let her know that I was truly honored to meet him. NIRI has been a large part of my life. As a history major in college, I spent my years learning about where we had come from and what made us the society we are today. I cannot tell you how inspiring it has been for me to know how the society in which I volunteer so much of my time was founded and then to meet one of the founders was just the cherry on top. Thank you, Dick. IR is what it is because of you. You will certainly be missed.

Ian Richman, President, *IR Magazine*

I had the pleasure of meeting Dick many times over the years and in particular I remember with great fondness our lunch meetings. Dick was a really special person and no one told a story quite like he did. On our first lunch with him, myself and the then-CEO of NIRI Jeff Morgan were picked up at the train station in his trusty car and off we went for lunch.

Dicks attention to detail, memory and clarity is something we can only hope for. It was at my last lunch with him that I had the honor of asking him on behalf of Gary LaBranche and the NIRI Board to attend the 50th anniversary celebration of NIRI as our special guest. Without hesitation he said he would attend and the rest is history. I also was able to video him talking about the founding of NIRI and the early days of the organization.

Outside NIRI Dick had an extremely rich and fulfilling life and I spent a fascinating afternoon with him when he shared many stories about his interesting life. He truly was a remarkable person, and his family can be justifiably proud of his achievements and wonderfully long life. IR

Al Rickard, CAE, is Director of Communication at NIRI; arickard@niri.org.

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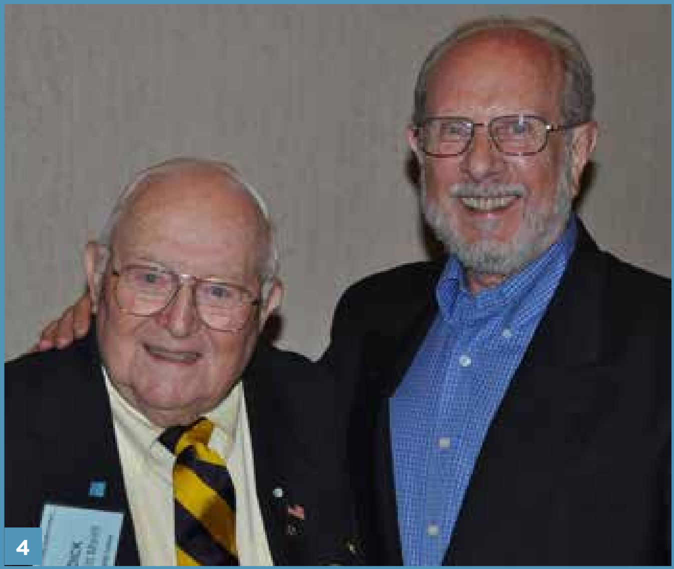

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1 Dick Morrill with Deborah Pawlowski, Chairman and CEO/Founder of Kei Advisors (left) and David Dixon, President of the NIRI Capital Area chapter (right).

2 Dick Morrill with Carol Murray-Negron, President, Equanimity, Inc. (left) and Beate Melten, Managing Director & Global Head IR Advisory, Citigroup, Inc. City Depositary Receipt Services (right).

3 Dick Morrill with Gary LaBranche, FASAE, CAE, NIRI President and CEO.

4 Dick Morrill with Don Allen, another longtime NIRI member.

5 Dick Morrill with Al Rickard, CAE, NIRI Director of Communication, in front of the board filled with NIRI 50th Birthday wishes from members.

Not Your Parents' Stock Market: The Evolution of the Retail Investor

The pandemic and other market forces combined to change the profile and trading patterns of many stock market investors.

BY ALEXANDRA WALSH

Retail trading had a record year in 2020. Analysts point to unprecedented market volatility, pandemic lockdown-related boredom, and stimulus checks from the U.S. government as likely having played a role in the uptick in individual investing interest.

In the beginning of 2021, GameStop and other heavily shorted names soared, and the resulting market volatility put a spotlight on a growing group of investors who seek and share trading information on social media platforms like Reddit, and trade through new retail platforms like Robinhood.

The trend continued into the first half of 2021, as individual investors added a record net $27.9 billion into the U.S. stock market in June, according to CNBC.

The impact of retail investors in the market was addressed by several speakers at the NIRI Virtual Annual Conference in June 2021. They analyzed the trajectory of retail investing and changes in market structure to make sense of where the market is today. They also examined whether retail investors are likely to remain bigger players in the U.S. equity market going forward.

The Road to Change

Giving context to the market today, Christopher Anselmo, Senior Director at Nasdaq's Investor Relations Intelligence group, noted the U.S. stock market has more than 5,600 listed companies worth more than $58 trillion. Companies in the market vary from large established players to new, small and growth companies.

"When we look at the market, we divide it into two segments, natural investors and intermediaries," Anselmo says. "Natural investors include both institutional and retail investors such as mutual funds, pension funds, hedge funds, foreign investor business holdings and retail investors that hold for more than a day. This group accounts for 93% of all assets, but only trades or makes up about 30% of the trade."

Anselmo explains the intermediaries include wholesalers, market makers, arbitrage and other often optimistic traders. He says this group holds 7% of assets but accounts for more than 70% of trading.

"The important part to understand, is that the natural investors drive price discovery, even though it's only 30% of trading—the stock is higher or lower than the market and this price divergence is driven by those natural investors, not the intermediary," Anselmo explains. "There is a very low cost to trade in the United States, which allows so many to play a role in keeping markets efficient. Rather than degrading market cap quality, all the competition or marginally profitable trades translate into more liquidity and tighter spreads for investors, which in turn leads to more attractive valuations for issuers."

Justin Schack, Managing Director and Partner at Rosenblatt Securities, points out what is occurring in the market is not new and notes the increase in individual investor participation in previous booms, such as the dot-com bubble in the late 1990s.

"That was the birth of online brokerage, and there were brand new firms disrupting the likes of Merrill Lynch and Smith Barney by offering very low commissions and making trades very fast online," Schack observes. "Now a newer generation of online brokers is taking zero commissions and disrupting the disruptors who have been around for a couple of decades."

Schack says the online brokers can give away the trading for free in part because they have another revenue source that allows them, in some cases, to charge zero for commissions. “That revenue stream comes in the form of payments that the brokers get from the market makers who execute their trades, mostly off-exchange.”

Schack notes slightly less than half the total volume of trading in the United States is done off-exchange, and most of the surge of retail trades over the past 18 months were executed off-exchange.

“The rules that govern the modern system of trading protect the best prices on the exchanges against trades happening at worse prices, but it doesn’t actually require brokers to send an order to the best price on-exchange,” Schack explains. “Brokers can trade everything off-exchange just as long as they’re not executing at prices that ‘trade through’ those protected quotations.”

Schack adds that regulations off-exchange, where market makers internalize the vast majority of retail orders, are less strict. “It’s a bilateral relationship—those orders aren’t exposed to the wider market and that can be an ‘attractive proposition’ for the parties involved.”

As a result of retail customers executing most of their orders off-exchange, the off-exchange market share has gone up dramatically in the past few years. Schack says in mid-2019, about 36% of overall volume in U.S. equities was executed off-exchange; by January 2020, a few months after the entire industry went to zero commissions, that figure rose to 40%.

“And then in January 2021, when the GameStop meme stock craziness was going on, it was 47%, the highest it had ever been,” Schack points out. “Individual securities, particularly those popular with retail investors, could even sometimes go as high as 60 or 70% off-exchange. This is the system that underlies, and partially enables, these very high levels of retail trading that we’ve seen.”

The Role of the Meme Stock

Jason McGruder spent 17 years as an in-house IRO before moving on to set up an investor relations program for the newly-public Rocket Companies. He recalls that “meme stock” first came to his attention when it caused Rocket trading volumes and the stock price to go up so much. He is now Head of Investor Relations at Newmark Group, Inc.

“Meme stock is when individual retail investors that are participating directly in the market coordinate with one another online and on social media and transform stocks into causes on these platforms,” explains McGruder. “Stocks like GameStop and AMC were embraced by these retail armies, and they’ve become known as meme stocks.”

McGruder notes that in his years in IR, retail investors have always been involved in things like AOL chat rooms and Yahoo chats and tweeting about stocks. “What’s different now is the herd mentality people of people getting their news about everything on social media, and this broader trend is mirrored in retail investing,” he says.

McGruder understands many people think they can make easy money in the market but what makes the meme stock phenomena unique is investors are involved for reasons beyond making money. “I think many feel they are expressing their power as retail investors and getting back at powerful Wall Street interests and a system they feel is rigged against them.”

Anselmo says retail investors typically do not impact price discovery with stocks because in most situations, the orders in this group are mixed evenly between buy and sell.

“What we’re seeing now is investors trading collectively, which alters the dynamic, because the wholesalers then impact the price discovery when they go to the exchange to execute those trades,” says Anselmo. “This is something that has happened on a smaller scale with retail investors mimicking very large, big-name investors. But right now, it’s happening far faster and in a more organized way through social media, and heavily shorted stocks are targeted to trigger short squeezes.”

Anselmo adds investors are typically focused on lower priced stocks and smaller caps, and the growth of retail investing over the past year has significantly boosted the proportion of trading in low market cap stocks in the past year.

“The low cost, the no-fee trading and the explosion in volume coming from retail investor market participation made the rocket ship that launched in 2020, continue in 2021,” Anselmo points out. “Retail investors aren’t spending money in other places, they’re putting it into the market for a multitude of different reasons, and they’re becoming a bigger slice of the pie for sure.”

McGruder says they primarily monitor retail investors by looking at Twitter chatter, which he considers a proxy for the broader social media environment, as well as Reddit. He notes trading platforms have their own social aspects and points to eToro, an Israeli social trading and multi-asset brokerage company that, while relatively new to the United States, has been fairly popular in Europe and Asia for a while.

“On eToro, you can see what other people have traded, and the top performing portfolios are listed along with the top traders, including day traders, and users are encouraged to mimic other people,” McGruder reports.

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Payment for Order Flow

According to the SEC, "Payment for order flow is a method of transferring some of the trading profits from market making to the brokers that route customer orders to specialists for execution."

"This payment for order flow has actually been controversial for many years, but it's a hot issue right now in the regulatory environment because the GameStop phenomenon brought it into the spotlight," explains Schack. "It's been the subject of congressional hearings recently—when Chair Gensler at the SEC was going through his confirmation process he was asked a lot about payment for order flow and it's definitely a conflict of interest for the retail broker."

Schack says the market makers that execute trades from the retail brokers typically give back a portion of the on-exchange spread, in exchange for the lower risk they take in private, bilateral arrangements off-board, and do not particularly care whether that payback takes the form of a better price for the customer or a rebate to the broker.

"It's really up to the broker what they want to accept from the market makers, and there are some that do not accept payment for order flow at all," Schack says. "Some brokers not accepting payment also manage to charge zero commissions as well because they have other revenue sources, like their customers cash balances —it is definitely very controversial right now."

Retail Investor or Retail Trader

"I do think with the recent influx of people into the markets, there's both a perception and a reality, that there's more day trading," says Schack. "But there's also a sense that buy and hold is maybe the safer way to go about things or that you're likely to have more success as a buy and hold type of person."

Schack says online brokers, particularly some of the newer ones, present a range of arguments and statistics that many of their customers are millennial or Gen Z just trying to get a head start on retirement savings without a lot to put into the market. "I was a little l surprised to hear some of those statistics in recent months—maybe they're buying a fractional share or a small amount of stock and actually holding on to it for a while."

"I'm encountering more people in my daily life, in addition to some of the retail investors I speak to, that leave me no doubt there is a lot more fast money in the last year or two, incrementally, then there used to be," McGruder asserts.

"If you're not a professional involved in the markets, I imagine it's difficult to not want to get in on the action when you start hearing from friends how easy it was to make a bunch of money on a particular stock. It's something we've seen at various other points throughout market history and, unfortunately, it often ends badly for those people."

Institutional Investor POV

What do institutional investors think about the power of the retail investor army? Schack says he gets a lot of questions from institutional customers about what is happening with retail, what percentage of the volume it accounts for and how long it is all going to last. He says while he cannot answer the last question, he does have a decent understanding of how much of a percentage of the volume, retail investors account for.

"The reason that's important for institutional investors is they need to adapt their expectations and tactics when they're trading anything right now, because overall, the off-exchange portion is a lot higher than it used to be," Schack explains.

"Particularly if you're in a stock that's very popular with retail investors, you might be seeing 50% to 70% of the volume happening off-exchange. Most of that off-exchange volume is a retail to wholesale trade, and you can't access that liquidity as those orders are not being exposed to the venues where you're trading and representing your interests."

Schack says it's important for institutional investors to be aware of what is happening in retail, and how it changes with each individual stock.

"The other factor I see is institutions riding the momentum, which also is not uncommon if you think back to other episodes like the dot-com bubble or what happened right before the great recession," says Schack.

Rules of Engagement

McGruder recommends engaging with potential retail investors through official social media posts once a month with links to the IR section of the company website. He says this is a way to point them to the company FAQ, which is kept updated with certain questions both retail and institutional investors are likely to ask.

"What's interesting is how many people don't even know to go to the main company website news section versus the IR website," McGruder explains. "Something as simple as adding to your press release boilerplate directions on where to find all your social media pages and all the different sections of your company website where news is posted can make a difference."

McGruder reports when outbound voice messages point people to the FAQ and list the topics addressed, the number of voicemail messages goes down by close to 95%. In addition, the FAQ listing all the social media pages and news sections

“Be prepared for retail investors, particularly if you’re a stock with a well-known consumer brand name, or if you pay a dividend, because I think it’s only going to get bigger as long as the stock market keeps going up and people have an internet connection.”

— Jason McGruder, Head of Investor Relations, Newmark Group, Inc.

results in a significant decline in incoming email questions.

“Another engagement tactic is partnering with third-party vendors that facilitate engaging with your retail shareholders, like when AMC gave away free popcorn and sodas to people who invested in its stock,” McGruder adds.

The Retail Takeaway

Anselmo says the evolution within the individual investors group has been amazing. “A lot of the investment trends we’re seeing are resulting from asset managers, banks, brokers and everyone in between competing for capital because flows are coming into market at a record pace,” he says.

“Many of these trends started pre-COVID but have continued and accelerated. Active managers versus passive, asset flows, increased data in the form of ESG and alternative data consolidation in the asset management space are all trends creating new challenges for investor relations.”

“My takeaway on today’s market is be prepared for retail investors, particularly if you’re a stock with a well-known consumer brand name, or if you pay a dividend, because I think it’s only going to get bigger as long as the stock market keeps going up and people have an internet connection,” McGruder says.

“I recommend having some form of stock surveillance, real-time market intelligence that looks at trading close as well as settlement, because often when your stock goes way up or way down, you really wish you knew why.”

“The most surprising thing to me is this aspect of individuals participating in the markets, more to make a political statement or to show that they have power than to actually make money,” Schack says.

“We’ve seen booms and we’ve seen busts and usually after the boom goes bust, all the brand-new people who flooded in wind up going back out with their tails between their legs, and I think there will be some of that again.”

But Schack says if the advent of zero commissions survives regulatory scrutiny and if individual investors participating for non-economic reasons are persistent, levels of retail engagement may go higher than they’ve been yet. “And that will be worth keeping an eye on if you’re in investor relations at any of these companies.” IR

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SURMOUNTING THE WILD WEST OF CORPORATE ESG EXPECTATIONS

ESG reporting frameworks, ratings, rankings, and data providers continue to proliferate. Focused Corporate ESG strategy and approaches can help IROs navigate the landscape.

BY PAM STYLES

Corporate leaders today largely recognize that environmental, social and governance (ESG) disclosure is here to stay and are including expanded ESG factors in ongoing operations and communications strategy.

Frustrations loom large, however, in dealing with the "Wild West" of constantly changing stakeholder expectations across rugged trails of possible disclosures and ESG frameworks, raters, rankers, data providers and third-party influencers.

These issues are being raised with regular frequency.

Resources and Advice

The Conference Board recently released an excellent practical guide for companies to think about how they might tell their sustainability story while dealing with dynamic and rapidly evolving regulations, reporting frameworks and ESG ratings firms. The guide also addresses active SEC considerations of various potential ESG reporting mandates.

I interviewed the Conference Board Guide author—Thomas Singer—and several other ESG experts to gather perspective about how corporate leaders and management are working to meet investor and stakeholder expectations while the field of third-party influencers and ESG information providers evolves.

"There was a time when companies could get away with not reporting, but those days are pretty much over, even though still largely voluntary," Singer says.

In terms of a Wild West analogy, he agrees that "ESG is going through a messy period right now," noting the increasingly complex landscape and jockeying for survival among hundreds of players in the ESG field. Common estimates suggest that the ESG landscape includes more than 100 voluntary ESG reporting frameworks and as many as 600 or 650 raters, rankers and data suppliers.

Singer encourages companies not to expect a lot of change in the near term, but to "take ownership as you can as a company and have conviction in your decisions." He suggests taking these steps:

- Be involved in [legislative/regulatory/framework/rater] comment periods to influence change.
- Be more proactive in communication directly with investors and stakeholders to not be dependent on frameworks or raters.
- Be selective in active focus on a handful of raters that have clear value in their applicability and methodology to your company and sector; be a bit more passive with the rest and don't react to every poor rating.

"Currently there is no one perfect framework nor perfect rater that can satisfy all stakeholders. Investors are relying on multiple information sources and developing their own ESG assessment methodologies to offset weaknesses in any one particular ratings or other source," Singer explains.

The frustration of dealing with raters and frameworks that do not understand the nuances of the individual company and its industry have led some companies to work collectively within their industry groups to develop their own approach to ESG reporting guidelines suited to specifics of their particular industry. Two examples include the ESG-focused forum begun within the Edison Electric Institute (EEI) for its utilities and power generators members and the ESG framework by GRESB for real estate assets.

The AEP Approach

ESG veteran Sandy Nessing, Managing Director of Corporate Sustainability at American Electric Power (AEP) offers some thoughts about the current Wild West.

AEP is a $42 billion market cap domestic utility company with annual revenue of about $15 billion and approximately 17,000 employees. AEP has been a significant leader in ESG reporting within its industry and spearheaded greater sector awareness and participation in ESG through active encouragement of the EEI to develop ESG research and reporting guidelines specifically appropriate to domestic utility and power generating companies.

Nessing has seen a lot. She explained that AEP focused on ESG long before the company approached EEI around 2006/2007 to communicate that action was needed to do something constructively about reporting as an industry in terms of ESG guidelines.

From her perspective, "You have to figure out what is important and what isn't. You have to focus, because you can't do it all. You've got to cut through the noise and hold your ground.

"You need to give management and the board the bigger picture, so they don't just focus on one rater's rating or another or react to new expectations of various stakeholder groups and organizations that do not have a practical understanding of the business or sector(s) in which your company operates."

Instead of reacting to every ESG rater, ranker, database or other, Nessing started asking AEP stakeholders what research resources they used. That resulted in purposefully choosing to ignore certain "opportunities" to engage with some well-known raters and/or rankers, because the heavy lift of engagement was not commensurate with the likely interest in outcome by AEP stakeholders.

Nessing shared that example because she believes the most important thing is "to not lose sight of why we're doing this work. Don't just chase the ESG data and shiny ratings. Don't lose track of the stuff that really matters. This is amazing work and it's going to facilitate amazing change."

Value of ESG KPI Content Indexes

Lou Coppola, EVP and Co-founder of the Governance & Accountability Institute (GAI) offers some insight on including ESG key performance indicator (KPI) content indexes in corporate reports. He is recognized as an expert in ESG research, data, disclosure and aggregation.

These ESG KPI content indexes have effectively become the fourth leg of a company's critical reporting, after the profit-and-loss statement, balance sheet and cash flow financial statements. The indexes present organized and consistent data to analysts, investors, data miners and stakeholders.

"An ESG content index (or several) using a hybrid standards approach is critical on the front end to enable more reliable and efficient investor and rater analysis; structured information is also much more readily found by artificial intelligence (AI) mining tools, all which promote accuracy and usefulness of data," Coppola explains.

"A well-developed content index includes KPIs designed to respond directly to multiple investor ratings methodologies and is proving invaluable on the back end as an indisputable reference for the company's use to push back on raters and data providers that they find have inaccurate data on their company."

Coppola and his team have developed a proprietary internal platform to help companies monitor multiple raters and ESG data providers' platforms for data accuracy and flag inaccuracies or missing information to the respective entities for corrective attention. Capabilities such as these will surely prove to be a game changer for companies frustrated by gross inconsistencies and in ESG information. But a company needs to start by helping itself first by publishing (or referencing) its ESG data in an organized way that a content index facilitates.

If you have read this far and are saying to yourself, "My company is too small and too far behind to participate in ESG disclosure and engagement to this level of sophistication," check your hesitancy and read on.

FIS Launches Award-Winning Inaugural ESG Report

It is naturally daunting for company boards and internal ESG leaders just getting started in their public ESG reporting and positioning journey to feel like they can never get to the mode of offense instead of defense. The other way to look at it is that companies that have waited until now to place greater emphasis on their ESG journey can often leap ahead in their inaugural efforts, because others have been trailblazers before them. One such company that succeeded is FIS.

FIS produced an inaugural corporate responsibility report that won an IR Magazine award in 2021 for Best ESG Reporting—right out of the gate.

Andrew Ciafardini, Chief Sustainability Officer at FIS, led this effort. FIS is a $70 billion market cap global company with annual revenues of approximately $13 billion and more than 60,000 employees.

While the size and resources of FIS might seem intimidating to smaller companies, just think about how daunting a task it was for FIS to figure out how to organize and tailor its inaugural sustainability report to suit its priorities, and to synthesize its ESG performance factors into a cogent report. The simplicity of the FIS approach included:

1. Established unique FIS pillars of growth based on materiality assessment.
2. Organized the report flow of priority topics germane to the company. In this instance FIS found United Nations Sustainable Development Goals (SDGs) useful.
3. Selected GRI as its primary reporting framework to provide a robust ESG KPI content index in accordance with GRI Standards with linkages to SDGs, then provided additional selective response to another framework, in this instance SASB.

FIS chose the voluntary framework(s) that worked in parts or as a whole to convey the message the company wanted to convey. While it took nearly 60 pages to do so, given the size of FIS, the simplicity of the approach can be right-sized for any company to emulate. The FIS approach established flexibility to adapt company messaging across multiple reporting frameworks that will be important going forward while the Wild West of ESG frameworks, raters, rankers and data suppliers continues to evolve.

"First, before getting started, it's critical for a company to step back and identify the 'Why,'" Ciafardini says. "What are the main reasons spurring the need to begin ESG reporting? Who are the stakeholders driving the discussion? And what are you hoping to achieve with your disclosures? Clear objectives are vital.

"Second, it's important to recognize that it's not always the loudest voice that should guide your strategy and selection of

ESG disclosure topics, but rather the topics that you are consistently hearing about across your shareholder and stakeholder bases. This can be done passively or by intentionally soliciting input from investors and other stakeholders to maintain focus on what they really need and want to know. If you try to address every issue for every audience or reporting framework, your disclosures won't be manageable.

"While traditional governance agencies have also become ESG raters, it's important to understand that rating agency scores are sometimes just one factor for an investor's assessment scorecard and decision-making process. If you need to, due to capacity constraints, address shareholder disclosure needs first and build from there."

"Third, when working on the report, the key is to build in agility and flexibility in your approach, and by all means stay focused on the most material ESG topics. It's critical to be able to tell an integrated sustainability narrative vs. a collection of ESG metrics. Don't worry about the length of the sustainability report, but rather focus on what you need to say to address your company's particular stakeholders' expectations."

"Finally, it's important to embrace ESG as a team sport that requires the ability to pull experts across the company to be successful. Leveraging your colleagues and external partners is vital, and where possible utilizing an outside consultant for your first report can be immensely helpful."

FIS demonstrated that just because your company may only be starting to focus more attention on your ESG journey and public positioning, you are not doomed to feel behind forever.

Key Takeaways

Hank Boerner, Chairman and Chief Strategist at GAI, has been involved with ESG and sustainability since the inception of this field.

Boerner observes, "We are now seeing companies considering ESG in all complex elements of corporate strategy and competitive positioning to deliberate purpose." ESG is effectively being integrated as an everyday part of company strategy and operations management.

He is also monitoring "emerging topics and trends across the ESG supply chain, activism and legislative/regulatory areas to anticipate what might evolve in ESG reporting expectations."

He adds, "It is important to remain flexible right now in terms of reporting and disclosure so your company can adapt to changes that are bound to come in the process of this developing Wild West episode."

As you (re)position your company in its developing ESG journey, aim to make the ESG reporting frameworks, raters and data providers work for you, instead of the other way around. IR

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BEYOND THE C-SUITE:

Building an All-Star Bench of External Speakers

Many considerations come into play when identifying executives from your company to speak to the investor community.

BY ALEXANDRA WALSH

The past year has seen a renaissance in investor engagement as the pandemic accelerated the use of virtual platforms and subsequently provided the opportunity to pull in a broader range of management.

David Calusdian, President, Sharon Merrill Associates, says, "Now that we're living in a more virtual age, we're able to have additional management team members with us on virtual road shows or at specific meetings without the added cost or inconvenience of taking them away from their day-to day responsibilities."

Acknowledging that prior to the pandemic most companies only introduced extended management team members at investor days, Calusdian examined the benefits and potential pitfalls of introducing a broader range of team members to the investment community in a discussion he moderated at the NIRI Virtual Annual Conference in June 2021.

"Deepening the bench of company spokespeople achieves a number of things," explains Calusdian. "First and foremost, it shows team strength, and this is especially important for companies where succession is a key concern."

A second advantage is that you can educate investors more deeply on specific topics, Calusdian says, and offers the example of introducing the head of sustainability to provide more perspective on the company's ESG efforts.

"It also holds the broader management team accountable by putting them in front of investors and showing how their responsibilities dovetail with investor concerns, and helps the broader team understand the questions that the IRO, CFO and CEO get every day about the business," Calusdian points out.

Before turning to his panel, Calusdian offered three pieces of advice to consider in introducing a broader management team. He says first, be specific and strategic and select team members who can best help emphasize your IR message or put it in in context for investors by providing a better understanding of a particular aspect of the business.

"Second, think about unintended consequences," Calusdian says. "If a CEO is nearing retirement, suddenly bringing out and introducing a previously unknown executive might convey to investors that you are prepping that individual to take over as CEO."

Calusdian's third suggestion is, be creative. "There are so many avenues to bring your extended team before investors such as guest appearances on quarterly conference calls, webcasts or fireside chats."

Consider the Biggest Bang

John Campbell, Director of Investor Relations for Wells Fargo, believes that identifying how to best use an executive's time is important.

"Not to say the c-suite isn't busy, but many company subject experts are occupied in the trenches and many of these roles are customer facing," Campbell notes. "When I'm strategizing which team members to use, I'm not just trying to plan for that next meeting but thinking ahead to whether their time is best used at an event in the future – I want to make sure I use my chip wisely with that executive."

Helene Dina, President and Senior Advisor, HD Strategies, explains that the moments when you do have investors' attention, such as analyst days and first earnings, create the aperture for her to decide which chips to pull and which key team members to make available to investors.

In deciding who to add to the external speaker roster, Dina considers the three key elements that investors look for in a company narrative. "The first of the three 'T's' of investor presentations is TAM, Total addressable market, and for this you need a team member who can speak to the size of the prize – geography, sales, growth and market share."

Dina's second "T" in investor presentation is Targets. "Who can best address where the company or product will be three or five years out in terms of revenue, user growth and even market share?"

The third "T" is tangible proof points and the most important part of the presentation to investors, Dina contends. "The company speakers should be able to demonstrate that management is executing well on the strategy, that the company is starting to see results and is ready to scale, and they are the messenger because they are doing the work."

Dina believes the key to speaker selection is to share with the entire management team the primary themes of the investment thesis early in the preparation process. "I find that people will automatically raise their hand and take responsibility for speaking to their area of expertise and willingly take a seat at the table to tell investors their own story," Dina says.

Staci Tyler, Senior Vice President and Chief Accounting Officer, EastGroup Properties, in the real estate industry and notes her investors get a chance to talk to the C-suite at conferences about corporate issues and market trends, but what they really love is getting out to see the properties.

"When we have an investor or an analyst who wants to see properties, we will coordinate with our asset management teams in that market and we let them handle the property tour," Tyler explains. "It gives our team members a sense of ownership to speak to the trends in their market, and from the analyst or investor perspective, I think it gives them added confidence when they meet the team in the field."

Tyler says giving their local team members a little rope and a chance to promote the company and build those relationships has been beneficial for her company. "However, we don't allow just anyone to take investors on tours," Tyler explains. "We make sure we have a good rapport with the person and know what to anticipate in terms of what they say and how they say it."

Say the Right Thing

Team members who have not had much face time with investors can be helped to stay on message with a concise Regulation Fair Disclosure (Reg FD) reminder sheet, Tyler suggests. "Our external speakers are not asked to be a mini-CEO for the day and speak to everything, we really ask them to address the specifics of their market or area of expertise," she says. "We have discussions around not disclosing certain material transactions, and it's manageable as we're a pretty close-knit group."

When dealing with team members who have not yet been coached in communicating with investors and analysts, Dina prefers to wait on Reg FD training until a day or two before the speaking event. "I find that it spooks them during the prep time, and they pull back from their own style, which is really what we want more of."

While senior management are offered training in speaking before an online audience, Campbell believes the most valuable knowledge is who is in the room. "We arm our speakers with our knowledge of who's in the audience, who might be more aggressive in their questioning, who is focused on what topic, any little tidbit that makes them feel more comfortable addressing the group."

Campbell adds ensuring the speaker understands the intent of the meeting will help prevent the response no one wants to hear – "I can't comment on that."

Dina says she typically prepares alternate statements or topics for the speaker. "We practice in one-on-one training, right before we prep the speaker and put them before the audience," she explains. "It helps them to understand the intent behind the question and how to steer towards a few safe talking points we've provided them."

One thing Dina says she has learned is to be open to different speaking styles. She says the people she used to think were very good presenters, or were compelling in a physical room, may not necessarily pop out in a virtual environment. Whereas team members who may come across as introverted, for example, often do very well on a virtual platform because they pull in the audience.

"Because a virtual presentation has such a different feel than prepping to speak before a large live audience, we offered our speakers rehearsals with an executive coach before our virtual analyst day," Dina notes. "We also encourage them to rehearse with the CFO and others around the room so that they feel much more prepared when they come together."

Tyler acknowledges it is amazing what speakers can learn watching recordings of themselves. "It can be painful watching yourself speak, but you really do learn a lot, and it's been great for our team," she says. "So much of the message is in the delivery of the speakers who you want to come across as confident, but not overly so, knowledgeable of the subject but delivering information in a trustworthy manner. Having someone coach you and watching your cell phone video really does make a difference."

Campbell says finding people with the right style to deliver the company's story can be simplified if there are opportunities to hear people speak internally at the company. "We have recordings of team members now on our internal website and I try to listen to these because so much of it is in the delivery," admits Campbell. "I can tell pretty quickly if someone is energetic, enthusiastic and speaks with authority – I'm looking for those kinds of people."

Campbell also suggests asking investors what they want to cover to make sure the right speaker is lined up, particularly in ESG matters. "It becomes more challenging with ESG as analysts and investors are asking about governance, being green and financial questions – that requires a corporate secretary, head of sustainability and the IRO all rolled into one," Campbell says. "I really try to understand what the investors and analysts need to get the most out of the session, and that might mean breaking the presentation into two separate 30-minute sessions, one with the corporate secretary and the other with the head of sustainability." Campbell says he finds most investors are willing to do that because they want the meetings to be successful as well.

Last Words

Managing the ongoing training of occasional additional executive speakers might be challenging, but Dina prefers to focus on customizing the training according to the speaker's inclination to learn.

"I find some speakers are very data driven and like to reference the past and others just want to start with a blank slate, but going too deep can put people in analysis paralysis," Dina suggests. "Many times, I think what the speaker is asking is, what can I say?"

Dina encourages speakers to build their own narrative first, and if that proves difficult, she works with them individually until they are comfortable with what they need to say, and she can pull out the story that they really want to tell.

Campbell tries to keep his speakers on their game by giving them as much advanced notice of the speaking event as possible. "What really gets them nervous is only getting a two-day notice before they have to talk to an investor – that's really hard for somebody who doesn't do that on a regular basis," he cautions.

Campbell says he also likes to remind speakers in their prep sessions that they are the expert in their field. "I've noticed that people tend to put investors and analysts on a pedestal as if they know everything. I remind our speakers that all they need to think about is what about the business or the company do they want investors to take away from the meeting."

"In terms of communication style, our speakers go through training, and then I tell them to reverse their narrative, start with their conclusion, and lead me through the arguments of why this is the right answer," explains Dina. "Straight on communication is the most effective way to deliver a message – say what you're going to say and then summarize and repeat what you just said."

Tyler encourages the company's bench of external speakers to take advantage of internal opportunities. "It can put a lot of pressure on someone to tell the company story to a group of people that knows the company story," Tyler acknowledges. "Speaking to your company peers is a really good dress rehearsal."

Tyler's final advice in prepping the company speakers is to just encourage them to believe in their story and have confidence in what they know. "I tell them not to focus on who they think the analysts and investors want them to be or want them to say, but just to be real. I think people really appreciate being genuine and open."

EXPLORING DIRECT LISTING OPTIONS FOR GOING PUBLIC

The SEC has paved the way for companies to launch direct listings as an alternative to IPOs. Learn how three IROs handled their direct listings.

BY AL RICKARD, CAE

It has been nearly one year since December 22, 2020, when the U.S. Securities and Exchange Commission (SEC) announced that it would allow companies to raise capital through direct listings as an alternative to the traditional initial public offering (IPO) process.

Investopedia notes that in a direct listing, a company floats its shares on an exchange without hiring investment banks to underwrite the transaction as an initial public offering. In addition to saving on fees, companies that follow the direct listing process may avoid the usual IPO restrictions, including lockup periods that prevent insiders and employees from selling their shares for a defined period.

The issuer sets the offering price, the minimum investment per investor, the limit on the number of securities that any one investor can buy, the settlement date, and the offering period within which investors can purchase the securities.

The SEC has approved New York Stock Exchange and Nasdaq listing rules for private companies to raise capital through direct listings.

The 2021 NIRI Virtual Annual Conference session, "Direct Listing Versus IPO," featured three panelists who each handled investor relations through the direct listing process for their companies. They included:

- Anna Yen, Head of Investor Relations, Roblox Corporation
- Catherine Buan, Head of Investor Relations, Asana
- Anil Gupta, Vice President, Investor Relations, Coinbase

The session was moderated by Fabiane Goldstein, IR Senior Director at Grayling. Goldstein posed a series of questions and guided a thoughtful discussion where panelists shared their experiences in launching direct listings.

Coinbase Values Equal Access

"At Coinbase, we've taken a thoughtful approach to our capital structure over the years," Gupta said. "The decision to pursue a direct listing was really grounded in the ethos of crypto, which was to provide equal access to all market participants. We didn't want to pick and choose who was able to participate in our public offering and who did not. And we knew we would have lots of retail interest in the company.

"So, as we thought about the best path for us and our shareholders, we wanted to prioritize equal access for all shareholders. We also didn't want to excessively dilute shareholders going into a public offering. So those are really two big inputs into the decision to pursue a direct listing. In terms of capital markets activity, we did a Series E fundraising round in late 2018 and didn't do anything leading into our direct listing in April 2021. That was mostly because we had a strong balance sheet and didn't need to raise capital during that timeframe.

"After we did our direct listing, we did pursue a convertible bond offering and that was an opportunistic, low dilution way for us to bolster our balance sheet. We chose to do that after the direct listing when the valuation of the company was more transparent because we had gone a couple of years without having a public mark on the value."

The Roblox "Winding Path"

"It was a bit of a winding path for us," Yen explained. "When we decided to undergo a public listing, we considered all options, including a special purpose acquisition company (SPAC). Originally, we decided on a traditional IPO. But what largely changed our decision was just before we were supposed to hit the roadshow, we saw Airbnb and other public offerings get listed, and what transpired in the marketplace after their listings was not the approach our CEO was interested in taking—he didn't want to require our employees to be locked up and not be able to sell their shares in a certain timeframe and potentially be unable to participate in any upside that would have happened in valuation after the company was listed. We also liked the fact that in a direct listing there would be a more transparent and fair allocation of the shares. It was a level playing field for all.

"As part of a direct listing, there's a reference price that needs to be set. We had completed a private financing early in 2019, at a valuation that was not indicative of the value of the business at the time of the direct listing. So just before we started the direct listing process, which actually moves very quickly, we had some private institutional funds come to us and say, 'We'd like to do a private round of fundraising at a valuation that we felt was a more accurate reflection of the value of our business. The deal was done in two weeks. We then closed that and it is what we used as our reference price."

Philosophical Alignment for Asana

"Asana is founded by Dustin Moskovitz, one of the founders of Facebook," Buan noted. "Much of the reason he founded the company was based on his philosophical values and goals. The direct listing offered more equal access and a democratic process for investors. It also gave employees the ability to participate in any possible upside in the initial listing and have no constraints to liquidity, as is normal within the IPO process.

"We also didn't have any current, near term need for capital. Even though it's probably the third reason for us, it's actually the first part of the decision tree for any company. If you don't need capital, then you could go in this direction. But if you do need capital, it's just not an option. But for us it was about democratization of investing, which I think is a bigger overall trend in the marketplace today."

Key Challenges

Each panelist spoke about significant challenges they faced in launching direct listings.

"One of the first challenges was going into it not knowing what the challenges were going to be," Buan said. "So hopefully we can take away some of the unknown for those who are following this path.

"My company was only the third major direct listing to happen. The biggest challenge was the regulatory environment, which was not very established at the time in terms of legal interpretation of what you can and cannot do while you're communicating with analysts and potential investors."

Gupta explained, "Onboarding remotely was probably the most difficult part of this whole thing for me during what was already an incredibly busy part of the process. I joined Coinbase midway through the direct listing process, and I had been in my prior job for eight years, and so just getting acclimated with a new company while you're in the middle of a sprint is tough.

"One of the other challenges I faced was analyst coverage. Unlike a traditional IPO, there's no syndicate and we only had two or three advisors on our deal. So there's no real forcing function for analysts to cover a stock and you have to proactively find people and educate them about your business. That can be challenging when you have other tasks and time is working against you.

"We were also thinking about balancing institutional versus retail needs from an educational standpoint. We did a Reddit "ask me anything" online discussion as part of our direct listing process. Thinking through that and trying to figure out creative solutions to engage with that audience was a challenge that we all rose to, which was rewarding."

Yen recalled, "I've done quite a few IPOs, and the timeline is relatively set for that type of transaction. You know about how long it's going to take to get SEC comments and how long it takes to do a roadshow. With a direct listing, everything was a moving target. The SEC was extremely overburdened, so the traditional timeframe for them to respond to comments did not apply. Then it was like, hurry up, hurry up.

"We ended up having only two days for our roadshow, where ideally you would have three to five days. So, I felt like the timeline was really challenging to manage. Also, what is different about the direct listing than the IPO is that you don't have bankers to rely on to set up the roadshow. Handling the logistics of trying to squeeze as many people as possible into a single day was hard. You're almost like a travel coordinator or scheduler and meanwhile you're trying to get your messaging down.

"There are many things you have to juggle that are different from a public offering or an IPO. But that said, we're very thrilled we did it. And we would do it again."

Pandemic Considerations for Investor Days

"Holding an investor day during a pandemic adds an additional layer that will be unique to those who follow in the future," Buan suggested. "There was no playbook for us in the remote world. Hopefully that playbook is established going forward. It was not like a regular analyst day, and we used Zoom. You need

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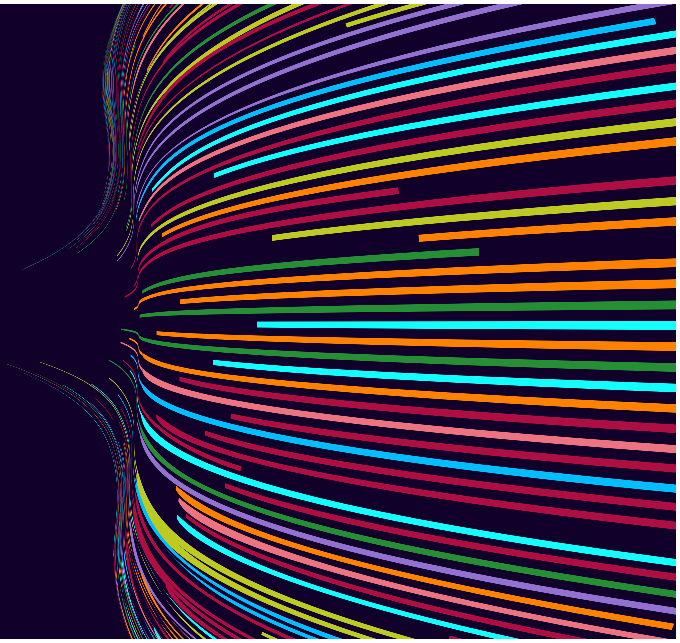
>
> **— Anna Yen, Head of Investor Relations, Roblox Corporation**



to attract investors and create the content. For the content, what you used to be a 30-minute live presentation is now no more than eight minutes in the world of video meetings. You have to keep changing the streaming video content every few minutes. Our investor day ended up being 90 minutes total, but looking back we would have just done 45 minutes total. With everyone's COVID-19 experience, my prediction is that analysts will become more concise, pithier and more effective, maybe more like a roadshow video.

"For the Q&A we had a legal issue of whether sell-side analysts who are on our book were allowed to ask questions. So, we had a more open Q&A, and because it was more open, I actually curated it more. I think it worked out fine.

"Then getting people to attend the analyst day required extraordinary marketing. I used my contact list plus any contact list that the bank was willing to give us. We invited them all and I think we benefited because we were at the beginning of the timeframe when many IPOs were returning. But getting attendance is a challenge because there is no capital markets team to help you promote it kike you do in a traditional IPO."

Gupta said, "We took a slightly different approach to a traditional investor day because we were thinking about a scaled approach to investor education from the outset. As opposed to a day where we would invite people to an event, we decided to do a series of videos. We scripted and filmed five videos with different executives to educate institutional and retail investors. We published those on our website as we began our roadshow.

"So, in addition to the SEC S-1 form, which was public at the time, we had these videos up and running. We used Zoom and Reddit to talk to investors around the country. The videos conveyed much of the key messaging. We also did a sell-side analyst education session.

"Since Coinbase had not been active in the capital markets for a couple years we had to educate people. On top of that, crypto is not the easiest thing to wrap your head around. It's a complex business."

Addressing Investor Concerns

Many institutional investors accustomed to dealing with IPOs were not always easily convinced that direct listings were a good choice, and some hesitated to invest. Each panelist explained how they addressed these concerns.

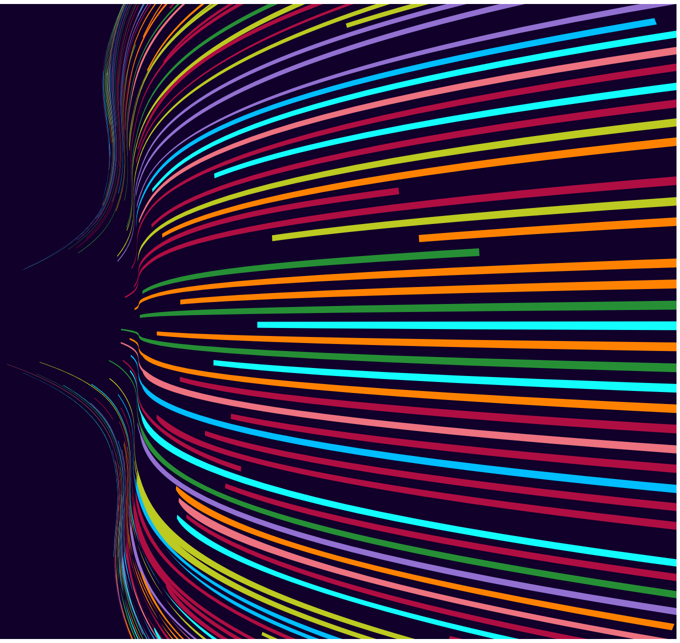
Yen explained, "A number of institutional investors expressed disappointment that we chose the direct listing path. Understandably, they're not getting their pre-IPO allocation that they're used to, and they're having to purchase the shares at a valuation that everybody else is.

"But we felt that if investors are going to come on this 10-year journey with us, they should participate in the way that everybody else is. And if they didn't want to come along on the journey with us, that was okay too."

Buan noted, "Our direct listing was launched on the heels of Spotify and Slack, which had both recently preceded us. So, any conversations we had that pertained to the direct listing was a reflection on what investor experiences were with Slack.

"We only had two or three funds who were vocal about their

> "This is a product marketing exercise and you need to package it with your metrics, with your financial performance, and decide what type of equity product you're going to be and who you're going to target."
>
> **— Catherine Buan, Head of Investor Relations, Asana**



opinion. The loudest complainers were current shareholders. So I thought, 'Oh, no, we're going to lose this one.' But they ended up further investing anyway. So it really didn't matter.

"One investor who is a friend expressed it really well. Even though he was frustrated, he said, 'I agree philosophically with the principles behind equal access and a more democratic way of entering into this process.' So, we espoused the same principles, but his company had just never done it before. He said, 'I just don't have an institutional investor playbook for taking an initial position and then building on it.' I thought that was an insightful conversation that made total sense.

"Direct listings allow a company to own their future more, to own relationships more directly, which I think is a trend that's been happening for a long time."

Gupta said, "Part of the discomfort some investors have with the direct listing is the demand and supply dynamics that go into a direct listing. It's harder to know with certainty how much supply is going to come to market. With an IPO, you know exactly how many shares are offered at what price and you can get a sense of where that's going to go from the reference price. As the direct listing process evolves, there will be better clarity around supply."

Capital Considerations for Direct Listings

When considering whether a direct listing is the right vehicle to go public, the question of whether a company needs to raise capital is a critical decision point.

"If you're in a position where you don't need to raise capital, then a direct listing is a great option to consider," Gupta said. "I think it does put more onus on the IR lead to help with education efforts, and to shepherd many different activities from executive interactions to the roadshow planning.

"You need to determine if you will be able to generate demand from investors because you are building both the supply side and the demand side. Your ability to generate interest from investors independently from banks is really important. Try to think holistically about what your capital needs are and if you can do something a little later and analyze why or why not."

Buan added, "If you need to raise capital, then you're on a different path than doing a direct listing. Consider how much awareness you already have in the market. This is critical because you don't have the channel partners to turbo-boost that marketing. If you don't need it, then that's a big factor and a great way to consider a direct listing.

"You are launching a financial equity product to an investor market. This is a product marketing exercise and you need to package it with your metrics, with your financial performance, and decide what type of equity product you're going to be and who you're going to target. Figure out what channel partners you need for that and how you're going to disseminate this information.

"Whether your company goes public with a SPAC, a direct listing, or an IPO, the management team and the company must understand how much has to be invested in marketing." IR

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