

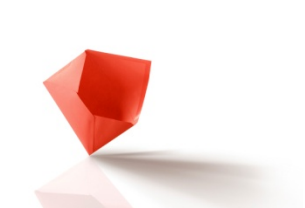
Investor Relations Perspective: Fall 2008



Jeff Morgan
President & CEO
National Investor Relations Institute

NIRI's Priority: Increasing Member Value

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



Global Markets Evolution

Perspectives & Trends

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

Focus On:

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

Reg FD Today

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

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

Short-termism vs. Guidance

Joint NIRI & CFA Institute Study

Results:

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



Earnings Guidance

Frequency

Desired vs. Provided

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

Source: NIRI Executive Alert, May 2008

Financial Guidance

Frequency

Desired vs. Provided

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

Types:

Revenue (86 vs. 68%), Capital Expenditures (84 vs. 66%)
Cash Flow (73 vs. 32%), Gross Margin (71 vs 31%)
Tax Rate (54 vs. 68%)

Non-Financial Guidance

Frequency

Desired vs. Provided

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

Types:

(Desired vs. Provided)

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

NIRI's Guidance Statement

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

Know Your Shareholder

- Monitor stock holdings (stock surveillance)
- Understand your institutional investor's investment strategies
- Understand activists tools
(proxy fights, shareholder alliances, resolutions, stock lending/empty voting)

Corporate IR Activists/Hedge Funds

Respond to Requests

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

Corporate IR

Activists/Hedge Funds

Board Involvement

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

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Regulatory

Notice & Access (E-Proxy)

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

Regulatory

Notice & Access (E-Proxy)

NIRI/Society of Corp. Secretaries Survey

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

Regulatory–CIFI^R Recommendations

➤ **CIFI^R** – SEC Advisory Committee on Improvements to **Financial Reporting**

➤ IR Focus is Subcommittee #4

Delivery of Financial Information

Regulatory–CIFI R Recommendations

CIFI R Recommendations

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

Regulatory–CFiR Recommendations

4.1 XBRL implementation

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

Regulatory–CIFiR Recommendations

4.1 XBRL implementation (IR focus)

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

4.2 Corporate websites - SEC interpretative release

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

Largest 100 Do's

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

Largest 100 Don'ts

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

Regulatory–CIFiR Recommendations

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

IFRS

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

SEC's 21st Century Disclosure Initiative

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

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

Regulatory

What is happening in Washington?

- Elections
 - Elections
 - Elections
 - Positioning for next Administration
-

Regulatory

What is happening in Washington?

➤ Congress

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

What is happening in Washington?

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

Regulatory

Presidential Election Impact

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

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

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

Questions & Answers

