NIRI Virtual Chapter

Program Wrap-Up

Program Title: Award Winning Investor Relations Programs

Program Date: April 10, 2019

Given that the IR role is constantly changing, there's no "Advanced Investor Relations" textbook that can teach you the right approach to running a best-in-class IR program. (That's a publication that would need a second edition rather quickly). Instead, information sharing between IR professionals has become the standard for keeping up with constant levels of change. Each year, *IR Magazine* surveys buy-side and sell-side professionals to gather not just the top-rated IR teams by region and market cap, but also, from the qualitative side, collects feedback from the investor community on specific practices by the best IR teams that represent good suggestions for other IR teams as well.

Each year, the *NIRI Virtual Chapter* partners with *IR Magazine* after their awards presentations are complete to help share ideas and suggestions from award-winning IR teams through a webinar session. For this year's edition, *IR Magazine* editorial lead Ben Ashwell interviewed three of the top vote-getters in the award tallies – listed here with their teams' awards:

-Susan Lisa, Vice President of Investor Relations, *Boston Scientific* – Best Investor Relations, Large Cap

-Amanda Cimaglia, Assistant Vice President, IR and ESG Reporting, *Hannon Armstrong* – Best Investor Relations, Small Cap

-Maggie O'Donnell, Director Investor Relations, Wix.com – Rising Star Award

Here's a few takeaways from the ensuing discussion – featuring a few specific suggestions that may be valuable for your IR team:

-**Measure your IR team's results – but don't overcomplicate your KPI's**. Asking award-winners how they measure their own progress is a good way to pull forward suggestions for IR teams. A confluence of responses focused on *evaluating changes in the shareholder base* – stability in top holders, new targets converting into buyers, expanding the ownership of ESG-focused investors, or successful secondary offerings placed with target holders were cited. Goals around sell-side coverage tend to diverge by market cap – larger companies don't need to expand overall coverage as much, smaller companies do, but KPI's around % of buy recommendations and accuracy of analyst models relative to forecasts can also be effective measurements for how well the sell-side understands the story. That said, it's possible to have too many metrics in both a business and IR setting – fewer and better-thought-out KPI's helps an IR team focus on output.

-**At its core, IR is about trust – which is built by communicating not just positive and negative news, but also communicating uncertainty when certainty isn't possible**. Obviously, a deep understanding of external investor expectations is important to help match up to internal targets – and it's generally worth the effort to dig deeper than the headline revenue / EPS consensus numbers to help get to the business-level drivers of those estimates by building full consensus models. What's more difficult is when the

company doesn't have enough information to forecast effectively – panelists discussed a situation where a company learns the day before a conference that one of its major products won't receive regulatory approval on the expected schedule. While the easy answer is to put all communication on "pause" – there's an opportunity to build deeper trust by communicating the uncertainty, along with the company's plans to release more information to resume effective forecasting.

-IR teams aren't increasing in size – but technology can help do more with less. An in-session poll of participants showed that, not counting administrative staff, just 26% of participants are on teams with more than 3 IROs, with a full 34% as sole practitioners in their companies; further, IR Magazine noted that from its 2016 to 2018 surveys of IR teams, the average staff size for an IR program dropped from 2.8 to 2.2. With smaller teams, IR may need to lean more on management to speak to investors – and opportunities to spread the message such as analyst day events can help produce "one-to-many" leverage that uses management and IR team wisely. One panelist discussed expanded use of video communication, including livestreaming an analyst day event on YouTube, that both lowers costs as well as helps in giving investors the deep-dive on the story without using as much 1:1 time.

-Don't overlook understanding the strategic aspects of the company. Possibly the most common phrase in the kudos passed along from the buy-side to award-winning IR teams is that the IR team "is so knowledgeable that we don't need to go to the C-level to understand the business." While most IR teams report to the CFO in mid-to-large-cap companies, the more exposure IR has to the business leads the better when it comes to helping investors. Attending reviews of the company's R&D strategy, strategic business reviews, and where possible spending time in the field are all ways to build out the deep knowledge that makes IR a full stand-in for management.

-**It's time for IR teams to start reviewing their ESG communications.** ESG investors tend to be longer-term shareholders, and even if they're not primarily screening companies on ESG characteristics, roughly 1 out of every 4 investment dollars under professional management has at least a secondary ESG screen baked in. While there are plenty of different frameworks out there, companies can differentiate themselves by stronger ESG operations and communications, and even if the company isn't releasing quantitative metrics it may still be able to differentiate through use of a qualitative approach that cites the key ESG risks and the steps to mitigate them.