

Market News

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Veterans, newbies have different takes on being an IRO in tough times

How has the recession and financial crisis affected IROs? It depends on whom you ask. NIRI's recent scan of how IROs are coping found responses varied, primarily by IR experience and market cap. Notably, newbie IROs say they're now spending more time in the C-suite and fielding more investor requests for CEO contact than their experienced peers acknowledge, while veterans report more balance-sheet rebuilding and less confidence about a lasting recovery than newer IROs. Small- and micro-cap companies seem to be bearing the brunt of budget and staff cutbacks, although the majority acknowledge significant cuts, mostly in travel, bonuses, and annual report spending. Large-caps are cutting earnings guidance, with a third reporting changes ranging from a suspension of all earnings guidance to annual-only, perhaps replaced with more operating-metric guidance. Large-caps are more optimistic short-term, with most anticipating recoveries in their own markets later this year, while small caps tend to look toward 2010 for an upturn.

Impact of "broker vote" rule change will be mixed

Brokers are allowed to vote their clients' NYSE-listed shares in "street name" accounts managed by the brokerage firm if they don't receive voting instructions 10 days before the proxy deadline. This is significant because 70 to 80 percent of U.S. public company shares are held in such accounts. Now the NYSE intends to eliminate, subject to SEC approval, those discretionary voting rights for brokers. The NYSE action would strengthen the governance role of shareholders who do vote – mostly institutions – and may make Boards more accountable. But short-horizon investors, including activist hedge funds, could use the new rule to press companies harder for dividends, share buybacks and other short-term rewards, possibly at the cost of long-term performance.

XBRL, PITA to CFOs, may be L8TR

The SEC is hinting that it might delay the mid-year deadline for large-cap compliance with XBRL. Chair Mary Schapiro suggested as much last week, saying the financial-reporting technology is low on her priority list. Schapiro has said little publicly about what had been her predecessor's top initiative, other than to acknowledge the potential utility of a format that allows easier integration of financial data into data-analysis systems. The news will be very welcome to CFOs, who regard XBRL as just one more government mandate during a time when they are barely able to keep up with standard reporting requirements because of staff and budget cutbacks. CFOs and senior comptrollers representing 64 percent of large public companies surveyed recently by Grant Thornton LLP said that they had no plans to use XBRL, despite the SEC mandate. The largest public companies are to begin filing via XBRL by this year, and others over the next two years.

IROs experimenting with social media

It's spring, so it's not surprising that you're hearing a lot of twittering by creatures perched on-line, or tweeting through the air. Led by such social-media IR pioneers as eBay, Sun Microsystems, Dell and others, even the buttoned-down world of investor relations is beginning to toy with less-formal, more immediate communications formats. The scope of IR's social-media activity is, like the multiplying media themselves, a bit hard to size and scale. One report from the Society for New Communications Research found public blogs at 81 of the Fortune 500, of which 28 percent were Twitter-linked. Ninety percent of those blogs have comment capability, and are most common among West Coast and technology companies. Some, like Intel, are dipping their toes, launching real-time access to its shareholder meeting this year, but deferring corporate IR blogs or Twittering based on disclosure concerns. Others, like eBay, are diving in, with eBay blogger-in-chief Richard Brewer-Hay now an established back-channel social-media commentator during eBay conference calls, after doing so informally most of last year without disclaimers or prior notice to eBay's lawyers. Securities lawyers are predictably cautious, noting that social media comments from company representatives bear the same Regulation FD and antifraud burdens as other formats.

Job Alert: SEC Wants Media's Idle Bloodhounds

SEC Chairman Mary Schapiro says that financial journalists have provided the SEC's sleepy enforcement staff with a lot of its best investigative leads, so she's concerned about the recession's impact on the number of money-beat reporters. Mindful of critics who say the SEC staff is over-lawyered and not aggressive enough in pursuing fraud, Schapiro mused that a few of media bloodhounds at the SEC wouldn't be a bad idea. "But for journalists having been dogged and determined and really pursuing some of these things, they might not be known to the regulators or they might not be known for a long time," she said. "Investigative journalism actually would be a pretty interesting skill set for us to have... (The SEC) has to really broaden its horizons and bring in people who think about things a little differently than it has historically."

Blogs: "SEC Joins Twitter!" Fact: They've been there since July

On the other hand, maybe Schapiro ought to look elsewhere, if recent erroneous financial news reports about the SEC's debut on Twitter mean anything. No less than the *L.A. Times*, the *New York Times* and the *Telegraph* in London last week hailed Schapiro for making SEC more open and transparent by, among other things, establishing an SEC presence on Twitter. Trouble is, the staff's "SEC_Investor_Ed" has been on Twitter since last July, and an SEC_News feed since December. The only new feed added since Shapiro arrived in January is an "SEC_Jobs" feed, which is little-used (but likely to pick up soon with posts from job-hunting journalists).

Russia may curb insider trading

We got this from a financial-news blog, so it may not be true, but the parliament in Russia is reportedly considering its first legislation to punish insider trading. The lower house of Russia's Duma approved one such bill, with two-thirds voting 'Da.' A second, to establish a maximum seven-year prison term for violations, is to be taken up in May. Prime Minister Vladimir Putin ordered a crackdown on insider trading in February, reviving proposals that had first surfaced in 2000 during the first wave of speculation in Russia's turbulent financial markets.



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