



## How To Get Where You Want to Go – IR Best Practices

December 10, 2015

**Panelists:** **Eric Crawford**, Associate Director, Equity Research Analyst, UBS Investment Bank  
**Mike DeWalt**, Vice President - Finance Services Division, Caterpillar  
**Kathy A. MacDonald**, Vice President, Investor Relations, Mead Johnson Nutrition

**Moderator:** **Steve Carr, J.D., CCEP**, Chief Executive Officer, Dresner Corporate Services

### Key Takeaways

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- Kathy MacDonald and Mike DeWalt are from two very different companies. Mead Johnson is a pure-play infant nutrition company with annual revenues of roughly \$4.4 billion and a market cap of roughly \$16 billion. MacDonald has a staff of one. Mead is followed by 16 sell-side analysts. Caterpillar is a diversified company in the industrials and energy and transportation industries, with annual revenues of \$55 billion and a market cap of \$40 billion. A former IRO, DeWalt heads up the Finance Services Division, which includes a two-person IR group. Caterpillar is covered by 27 sell-side analysts, including Eric Crawford. Both MacDonald and Caterpillar's IR team have been recognized as "best-in-class" in the 2016 *Institutional Investor* rankings.
- MacDonald and DeWalt discussed aspects of their IR programs they believe offer the most value. Crawford commented on several of the practices, relaying both the sell-side perspective and feedback he's received from his buy-side clients. Among the recommended practices were:
  - Include a Q&A in the earnings news release (see p. 15) to address questions of interest to the Street.
  - Offer your sell-side analysts each a 20-minute call after the earnings conference call, with the CFO participating in many of them as his or her schedule permits.
  - Craft and maintain a detailed analyst P&L model after earnings that incorporates the sell-side analysts' updates. This enables you to see where the messaging may not have been clear, and also to catch any obvious errors on a sell-sider's part.
  - Hold "extracurricular" conference calls on topics of interest to investors or areas of confusion to the Street. Crawford said his clients really appreciated Caterpillar's proactive communication.
  - Do an executive "round robin" during Investor Day lunches so participants have the chance to speak with all senior management members. Again, the Street greatly appreciates this practice.
  - With a new CFO or CEO, have a sell-side dinner within the first 100 days so the new executive can connect with the analysts, get the Street's perspective on the company, and better understand what resonates and what doesn't. Ask sell-side attendees *not* to write notes on the event.
  - Address bad news head-on. Your stock may take a hit initially but should recover within a short period of time. In the long run, transparency builds your and your management's credibility with the Street.
- DeWalt and MacDonald are on the road quite a bit during the year. In addition to U.S. marketing, both do European investor trips and also have marketed in Asia. They recommend trips to Singapore, Hong Kong and Japan. Their experience in China has been less positive; both find that investors there appear more interested in learning about their Chinese competitors. When asked about the IRO marketing solo in the U.S., Crawford said that it makes a lot of sense in many cases – especially when investors are new to the company – and investors are fine with it.
- While their companies differ significantly in terms of size, industry and complexity, DeWalt and MacDonald agree on what makes best-practice IR: Educate your audience, both internal and external; communicate about how you're addressing challenges during bad times, and be responsive.

– Ruth Venning