CTC Investor Relations

Market News

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A monthly review of IR developments for our clients and friends. . .

Supreme Court will clear the air on whistleblowers

Are corporate whistleblowers protected from retaliation under Dodd-Frank if they only report their suspicions about misconduct internally? Or does the protection apply only to whistleblowers who tattle to the SEC? To the relief of Corporate America, the Supreme Court last week agreed to settle the issue during its 2017-18 term. Two appellate panels have backed full whistleblower protection, while another said only SEC whistleblowers are eligible. A ruling that favors issuers will likely lead to fewer whistleblower claims overall as claimants fear potential retaliation from the corporation on one hand, and the unknowns of dealing with the SEC on the other.

Crowdfunding company makes it to the NYSE—a first

Myomo, a medical robotics firm, became the first issuer to list on the New York Stock Exchange after raising capital under Regulation A+ of the JOBS Act, commonly called equity crowdfunding. And it all happened in the matter of days. The crowdfunding took place June 9, raising $5 million by selling 665,498 shares, and an additional $2.9 million at a simultaneous offering to accredited investors, most of whom were Myomo early investors. On June 12, Myomo shares opened trading on the NYSE under the symbol MYO at $7.40. Since, the stock price has bounced around, going as high as $23.40. As of the end of 2016, 165 companies had filed with the SEC to do a Regulation A+ offering, but few have been successful. No others have earned a spot on the NYSE.

U.S. executives keeping hurdle bars high

Financial executives are taking on fewer high-potential capital investments because they fear unforeseen risks and lack of time to oversee them, the most recent quarterly Duke University/CFO Global Business Outlook Survey finds. The survey noted that while many U.S. companies can borrow very cheaply to fund growth, many are not reducing their "hurdle" rates of return requirements accordingly. Only 20.6% of respondents said they pursue all investments with hurdle rates above their capital cost; the rest listed shortage of management time and expertise, fit with core strategy, and overall project risk as reasons for being more selective. More executives in Europe and Latin America said they take on all projects with positive hurdle margins, while Asian executives were roughly as cautious as their American peers.

Number of financial restatements hits 15 year low

Just 671 public companies were required to reissue or revise their financial filings in 2016, the fewest since 2011, according to Audit Analytics. They credit finance chiefs who stepped up internal controls to comply with Sarbanes-Oxley. Also, there are 37 percent fewer public companies overall than a decade ago. Many startups that might have gone public are staying private, thanks to venture capital and private equity investors, while M&A activity has eliminated others. Large companies did the best, with just 51 accelerated filers – companies with public stock ownership of $700 million or more – having to reissue or restate their financials in 2016. This is the smallest number in seven years, accounting for 1.5 percent of the 3,334 accelerated filer companies.

Boilerplate language in sustainability disclosures increases despite risk
Corporate sustainability is obviously a key reporting segment for investors. Yet a recent review of 10-K and 20-F filings from top companies in 79 industries by the Sustainability Accounting Standards Board showed 53 percent of the filings used boilerplate language in this segment, leaving out important specifics on risks to the company and how they are responding to their exposures. The study authors said that investors need those specifics to make an informed investment, advising managements to get specific or risk losing investors.

2018 proxy season will feature Stewardship and Governance Code
The 2017 proxy season highlights include proposals for proxy access for mainstream investors, more board diversity, remedies for gender pay gaps and a call for non-voting shares to be banned. But the most significant event of the season won't be felt until 2018: the launch of the U.S. Stewardship and Governance Code. While common in many markets, the voluntary framework for the code launched last January and to be effective next January is the first of its kind in the U.S. Thirty-eight investors, with an aggregate of more than $20 trillion invested in U.S. equity markets, have banded together to increase pressure on public companies to follow leading practices related to board effectiveness practices and the alignment of pay with long-term strategies.

IROs exploring new platforms to capture investor-call questions
Investor relations officers have attempted for several years to incorporate Tweeted questions into live earnings and other investor conference calls, with mixed results. Now more public companies are exploring other applications that can provide better sorting and staging capabilities for web-sourced questions incorporated into their IR events. Zillow and Expedia are two companies using interactive event platform Sli.do (www.slido.com) to capture, prioritize and blend-in messaged questions with audio ones for recent calls. Others are exploring the Reg FD implications of holding live meetings on Facebook & Periscope.

SOX compliance still delivers a strong financial punch to companies' bottom line
A newly published report from consulting firm Protiviti shows the cost and manpower needed to comply with Sarbanes-Oxley requirements is still very high. For a company with one to three locations, the survey of 468 chief audit executives says it costs on average $657,383 per year to stay in compliance, while companies with more than 12 locations pay an average $1,561,000 annually. The general consensus is that number of man-hours needed to comply continues to rise as more companies outsource their compliance. However, companies are reaping the benefit of their compliance efforts by creating streamlined and lean processes to respond with agility to new and emerging business or regulatory challenges.

A maturing economy, right. But…
June marks the ninth year of the current economic expansion, which officially began in June 2009. The U.S. has enjoyed 11 official economic recoveries since World War II. Today's is the third longest, so it is reasonable to wonder when it will end. At the midpoint of most cycles, confidence increases, volatility decreases, monetary policy moves from an easier path to one of tightening, and investment flows from more conservative assets to riskier ones. Consumer confidence is at a 16-year high, volatility is at cycle lows, and flows have only recently turned net positive for global equities. All indicating the current economic expansion is at or just past its midpoint. With few, if any indications that this cycle will end soon, where do we go from here?

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