CTC Investor Relations

Market News

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

Accounting group urges boards to demand more rigor in non-GAAP reporting

The Center for Audit Quality, an affiliate of the accounting profession's American Institute of CPAs, is urging audit committee members of corporate boards to insist that managements adopt more rigorous practices for reporting non-GAAP financial information. The group's new report follows its roundtable discussions about non-GAAP reporting with groups of public-company financial reporting audiences and principals. The report recommends stricter controls, and non-GAAP policies that mitigate risks, support sound decision-making, and drive more consistency and transparency. The CAQ noted that few companies disclose whether they have a non-GAAP policy, much less disclose the policy itself. The report lists 10 topics that audit committees should raise with management about how and why non-GAAP measures are used in reporting.

Environmental and social issues overtake governance on shareholders' proposals

For the first time in a generation, shareholder proposals about environmental and social matters outnumbered governance proposals, accounting for 54 percent of all ESG proposals in 2017, according to ISS Corporate Solutions. Fewer corporate governance resolutions reflects reforms on proxy access, board declassification and repealing poison pills by a wide swath of public companies.

More whistleblowing, despite increased retaliation

The rate at which workers are reporting misconduct is on the rise, up 10 percent since the Ethics and Compliance Initiative's first Business Ethics survey 17 years ago. According to its latest survey of 5,000 employees in late 2017, most reported misconduct was serious: misuse of confidential information, acceptance of bribes or kickbacks, stealing, and sexual harassment. Retaliation against whistleblowers, however, doubled from the previous year, and companies brought down the hammer on whistleblowers quickly, within three weeks of their initial reports. This is a particularly disconcerting trend, given that in February the U.S. Supreme Court made it more difficult under Dodd-Frank rules for whistleblowers to sue employers for retaliation.

Tax act puts comp committees in tough spot

Investors will be closely scanning compensation committee reports in this year's crop of proxy statements to see how each committee is resolving the dilemma imposed by 2017 tax law changes. The law removed tax exemptions for most performance-based compensation above $1 million per year, although increases in the alternative minimum tax ceiling and other changes softened the blow. The change has forced comp committees to decide whether to maintain a high proportion of performance-based comp that many investors believe motivates CEOs, versus shifting more pay into now relatively cheaper base salary and bonus. Experts expect most Boards to raise stock option awards and reduce restricted-share awards as the best compromise approach for CEO pay in 2018.

Early returns on revenue recognition shows mixed reviews
Early adopters of the FASB's revenue recognition standards have experienced some issues with regulators and investors. The early takeaway from two high profile cases reflects the problems. Alphabet (Google) took a "less said the better" approach and avoided disclosing revenues of some of its separate businesses. After months of back and forth, the SEC gave in and accepted Alphabet's position. General Electric's revenue detail and transparency went beyond the letter of the regulation. Investors nonetheless punished GE for being so open, losing 3.5 percent of its share price before the opening of next-day trading. GE's full transparency seemed to confuse the media and its investors.

Now that March Madness is all but over – what did it cost?
With the NCAA men's championship basketball game tonight, Michigan versus Villanova, here's our best estimate of what the event cost American businesses. Robert Half's Office Team unit asked employees if they spent time on the tournament while at work, and if so, how much time? They found that, on average, 25 minutes a day were lost to tournament activity, be it pools, conversation or a similar activity. The tournament lasts 15 days. Then we sourced a second study by search firm Challenger, Gray & Christmas, which showed businesses lost $2.3 billion per hour in aggregate from tournament activity, for a total loss of $14.4 billion. Some might claim that the studies are not scientific. Our response after this year's tournament? How did you come up with your broken bracket?

Silicon Valley backers set rules for exchange to emphasize long-term growth
A proposed new Silicon Valley stock exchange wants to create a special listee category for companies committed to long-term growth. IEX Group has asked the SEC to approve "LTSE on IEX" listings for future Investors' Exchange issuers willing to subject themselves to what it will call Long Term Stock Exchange rules. IEX wants to discourage short-term thinking that keeps many companies from going public. Listee standards would include board committees devoted to long-term growth, at least 40 percent of director pay in stock, and a disclosed long-term growth strategy. Backers include venture capitalist Marc Andreessen and other Silicon Valley titans.

2017 roadshow numbers
According to *IR Magazine's* Global Roadshow Report 2017, 94 percent of US public companies go out on the road to meet with investors, participating in an average of 7.3 roadshows per year and spending 14.5 days on the road annually.

SEC pursues criminal insider trading charges against Equifax exec
The SEC has criminally charged a former officer of a U.S. unit of Equifax with insider trading. The Commission said Jun Ying, who was next in line to be the company's global CIO, exercised all of his vested Equifax stock options and then sold the shares, reaping proceeds of nearly $1 million prior to the data breach involving customers' credit records. By doing so, Ying avoided more than $117,000 in losses based on the decline in Equifax share prices after the breach was disclosed last September, the SEC said. Three other Equifax Inc. senior executives sold shares worth almost $1.8 million in the days after the breach. Equifax said those three were unaware of the breach when they sold.

Old-school technique snuffing some sketchy currency offerings
Despite multiple public warnings, the SEC is finding plenty of crooks eager to exploit crypto-currency and blockchain hype to launch dubious investments. The SEC's enforcement teams are, as usual, outnumbered. So they have turned to a less formal approach to discouraging the perps: Simply calling them on the telephone to say, "Hi, whatcha up to?" The SEC credits the technique with persuading more than a dozen cryptocurrency-related companies to abandon their plans.

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