

Research Report Earnings Calls

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Introduction

Who did we survey?

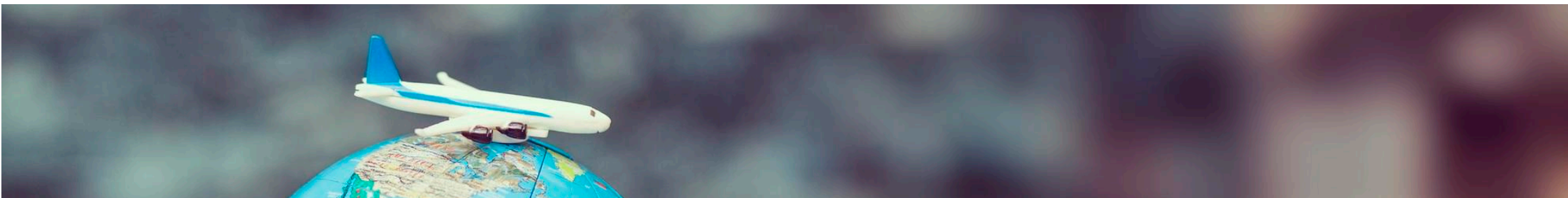
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Introduction

Earnings calls form a major part of the IR calendar at most publicly listed companies. They are a key means by which senior management can present to and interact with the wider investment community, accounting for the current fortunes and future direction of the business.

This report looks at three areas related to earnings calls. Firstly, we examine the process of setting up the calls, particularly with regard to use of video and whether prepared remarks by management are pre-recorded or presented live.

This report then investigates engagement within the calls themselves, who provides input from the corporate side, involvement in the Q&A section and how investors typically interact with the call. Lastly, we look at how both companies and investors

evaluate the call, what they find particularly useful and what mistakes investors commonly encounter in earnings calls.

The views and practices of both IR professionals and the investment community are represented in this report. Findings are taken from the IR Magazine Global IR Survey conducted from Q4 2021 to Q1 2022 and the IR Magazine Global Investor Survey conducted in Q4 2021. This report uses the term IRO to represent IR professionals in general and ‘investor’ to represent members of the investment community, both buy side and sell side.

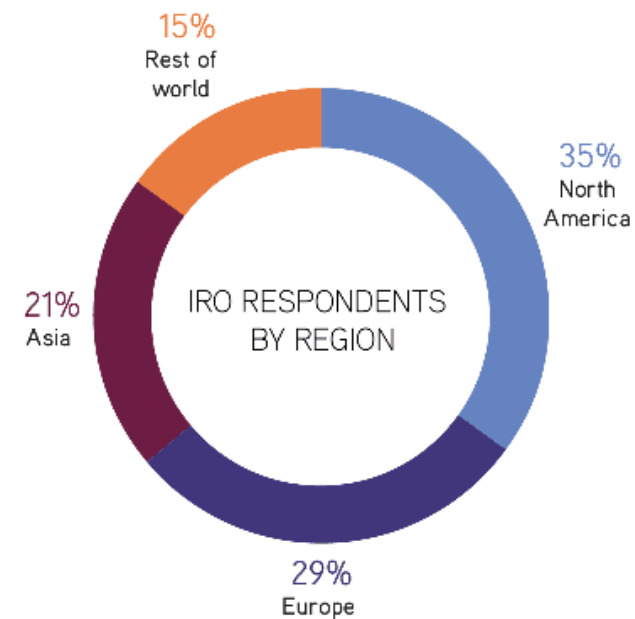
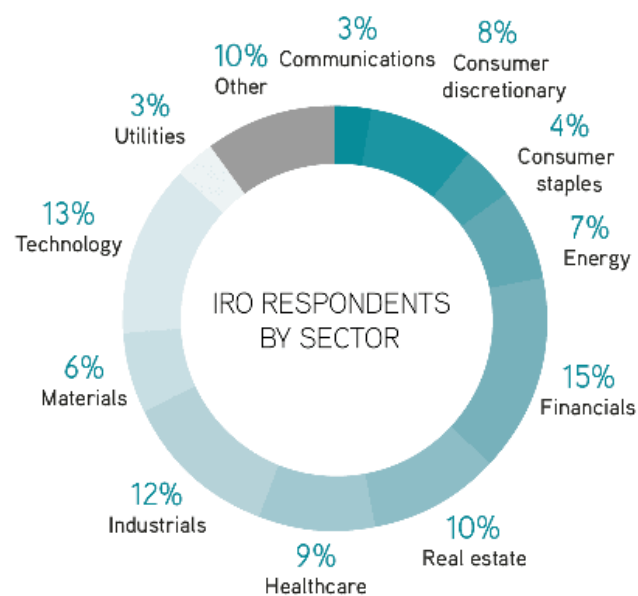
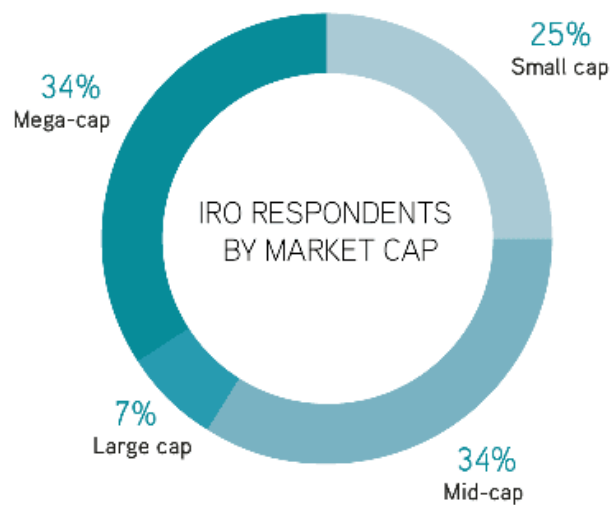
Findings in this report from both IROs and investors are broken down by geographical region. Data from investors is additionally separated into buy side and sell side, while IRO data is broken down

by market capitalization. For the purposes of this report, market cap is defined as follows:

Small cap	<\$1 bn
Mid-cap	\$1 bn-\$5 bn
Large cap	\$5 bn-\$30 bn
Mega-cap	>\$30 bn

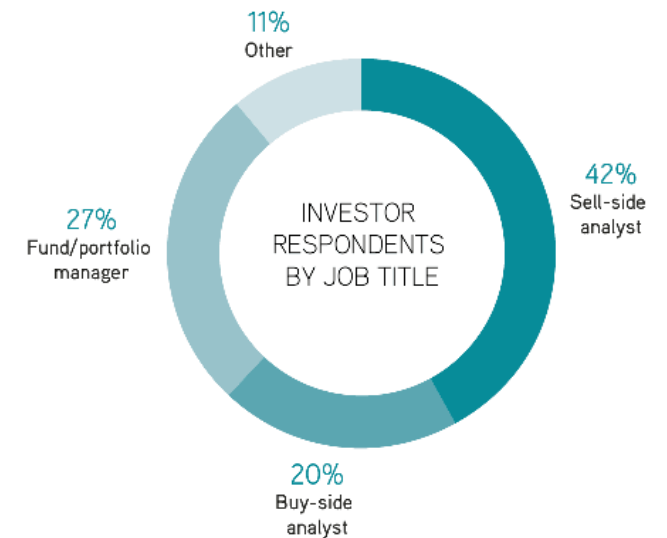
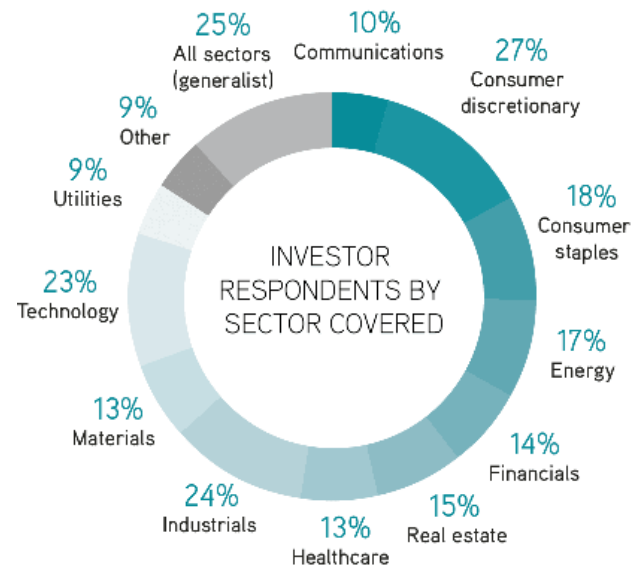
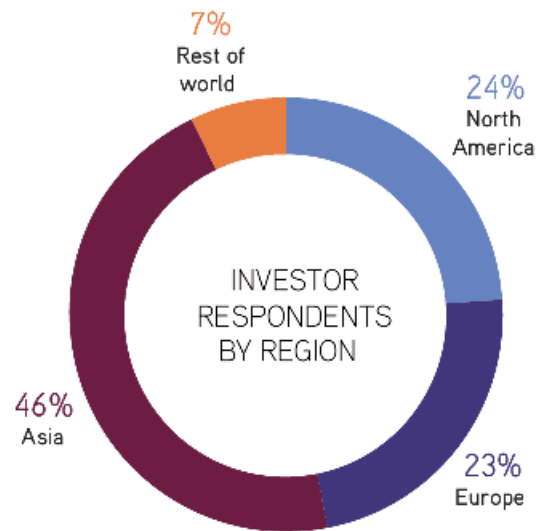
IRO respondents

Total IRO respondents: 289



Investor respondents

Total investor respondents: 142



Editor
Lloyd Bevan

Research
Ash Govender, Aariah Varcianna

Managing editor & chief copy editor
Kathleen Hennessy

Design and production executive
James Noden

Setting up an earnings call

Pre-recording prepared remarks and use of video

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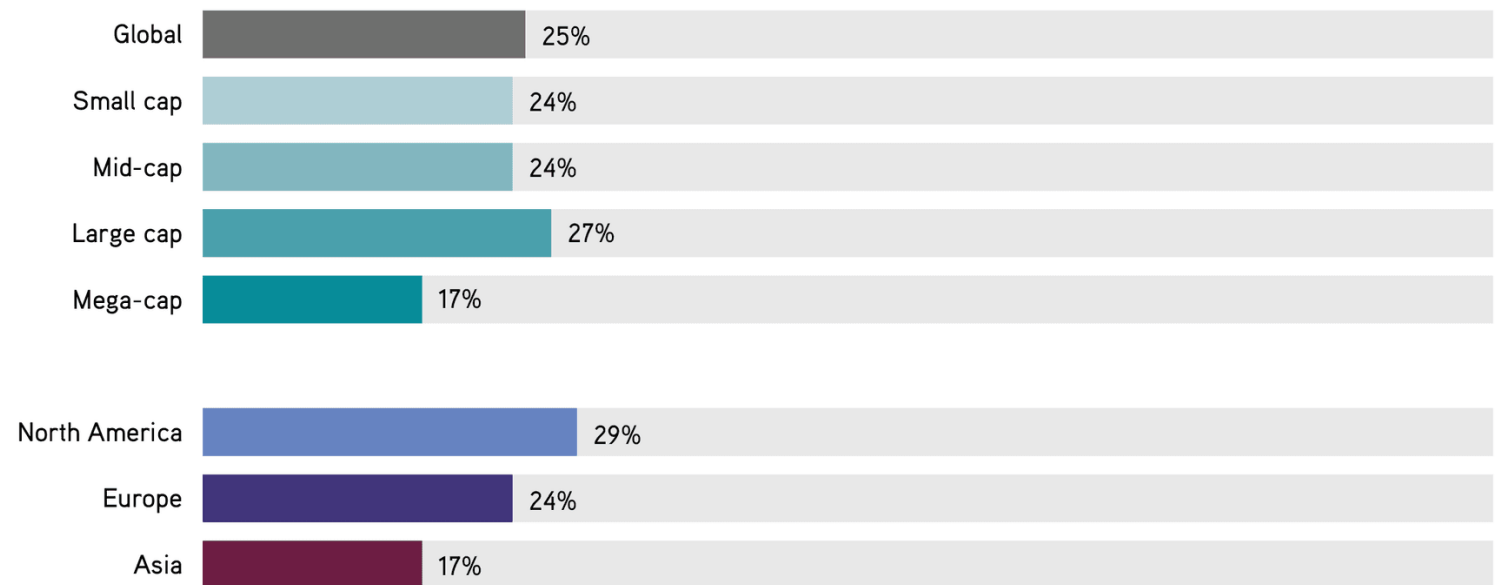
Setting up an earnings call

Recorded remarks

A quarter of companies pre-record their prepared remarks in earnings calls. Although not widely practiced in any region, North American companies are most likely to pre-record their remarks and Asian companies are the least likely to.

Similarly, there is no great enthusiasm for companies of any size to record the prepared remarks before the earnings call. Large-cap companies see 27 percent pre-record their remarks while mega-cap companies are the least likely to pre-record remarks, with just 17 percent doing so.

Do you pre-record the prepared remarks for earnings calls?



Reasons for/against pre-recording remarks

We asked IROs why they decided to record or not record their prepared remarks for earnings calls. Those who pre-record their remarks often mention how it reduces stress on the day. Some note that this is the management's preference while others state that it creates smoother logistics.

The main reasons why the majority do not pre-record their remarks are time and logistics constraints, as well as the fact that the messaging may not have been drafted in time to pre-record. Often it is the preference of executives to be up to the minute and spontaneous on the day. Many respondents say it is simply that they have always done it live and some IROs actually express the desire for remarks to be pre-recorded.

Click for: Pre-record prepared remarks comments

'It's a Covid trend that will persist post-Covid. Better preparedness and takes pressure off C-suite on the day. Major events – interim results, full-year results and capital markets days – will remain live when we return to in-person events'	Europe	Large cap	Consumer discretionary
'Management has got used to the luxury of pre-recording that virtual presentation has enabled. We will go back to live for physical presentations'	Europe	Large cap	Industrials
'It gives our CEO and CFO more confidence in the way their messages are delivered. There is no opportunity for errors on the day'	Europe	Mega-cap	Financials
'We can ensure good connection and sound quality, and avoid unintended variances from the prepared messaging'	North America	Large cap	Technology
'Not all of our executives like to follow a script, so pre-recording lets them speak genuinely and off the cuff, while still allowing us the time to edit so that it's polished'	North America	Mid-cap	Real estate
'Less pressure on the day and, as it requires a day or two prior to the call, I can focus on strategic Q&A responses'	North America	Small cap	Healthcare

Click for: Do not pre-record prepared remarks comments

'Management thinks recording plus being present for Q&A on a separate day is more inconvenient compared with just doing it all on the same day'	Asia	Large cap	Consumer discretionary
'I like live earnings calls better – they're more interesting and transparent'	Asia	Mid-cap	Communications
'Generally not, though have done on a couple of occasions for Covid-related reasons'	Europe	Mid-cap	Financials
'Time constraints mostly, but the C-suite also prefers its own live take on things'	Europe	Mid-cap	Industrials
'More flexibility to make last-minute adjustment when appropriate'	North America	Large cap	Financials
'We have pre-recorded a few times but typically we are not prepared until the last minute with all the materials'	North America	Large cap	Healthcare

Recorded remarks: Investor view

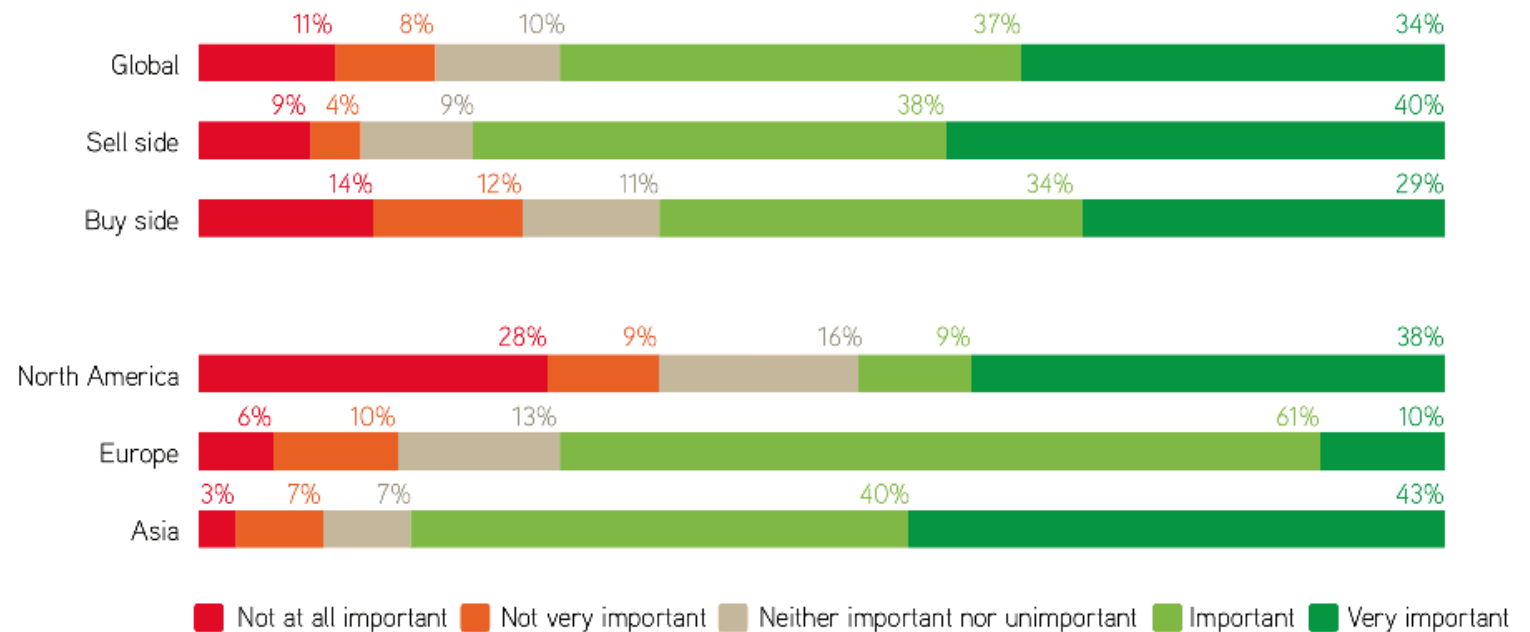
A clear majority of investors do not want prepared remarks to be pre-recorded, with more than seven in 10 saying it is important for them that these statements are given live, including more than a third who say this is very important. Just 19 percent think it's of no real importance whether these remarks are live or not.

Views differ among North American investors compared with European and Asian investors. A minority of North American investors view live remarks as particularly important in earnings calls. More than a third think it is not particularly important to have live remarks, with 28 percent saying it is not at all important.

Live remarks are more of a concern for the sell side, with more than three quarters viewing live comments as important and four in 10 considering them to be very important. This

compares with less than two thirds of the buy side registering the importance of live remarks, and fewer than three in 10 viewing them as very important.

How important is it for you that the prepared remarks are given live, not pre-recorded?

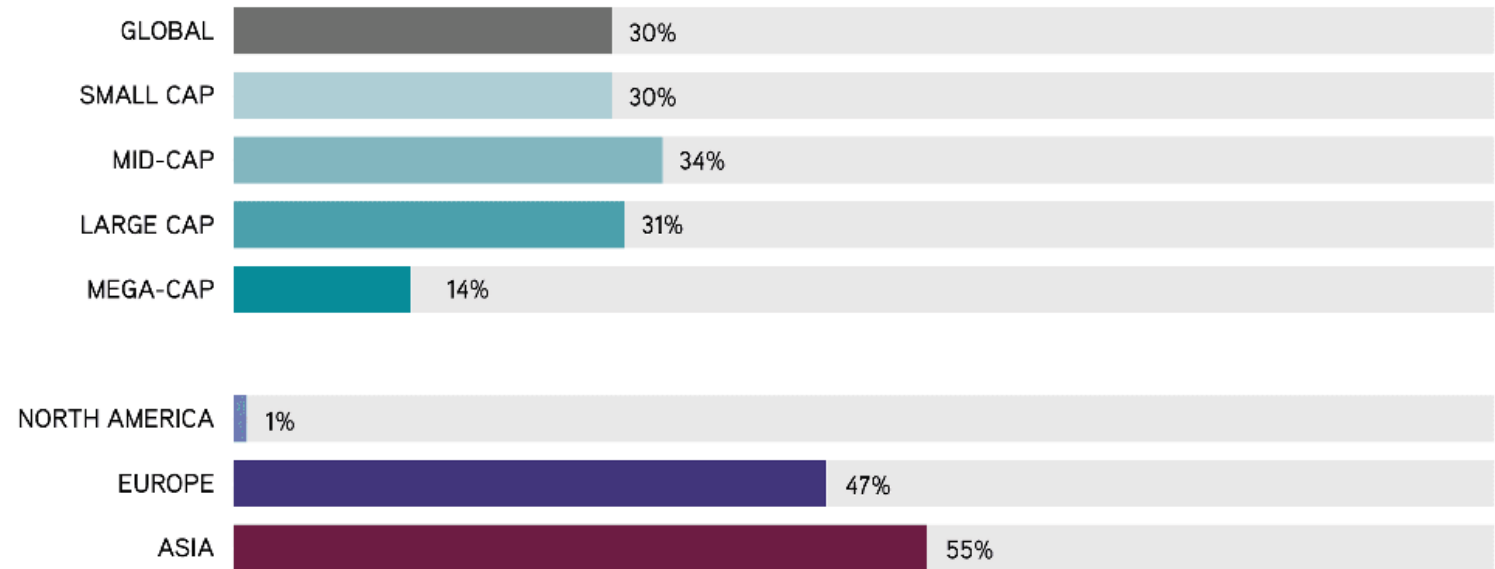


Video earnings calls

Three in 10 companies use video for their earnings calls. More than half of Asian companies use video, as do 47 percent of Europeans – but in North America using video for earnings calls is practically unheard of.

Just over a third of mid-cap companies use video for their earnings calls, while among mega-caps just 14 percent do so. This is less than half the average for all cap sizes.

Do you use video for your earnings calls?

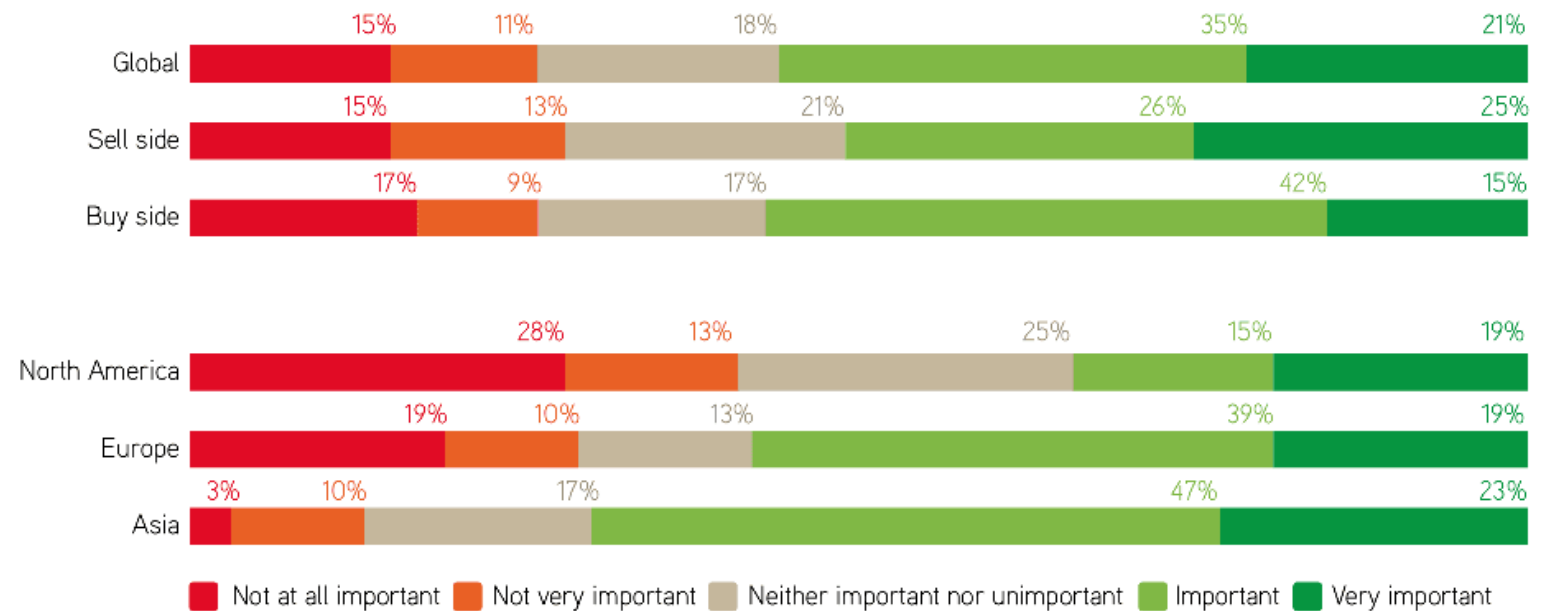


Video earnings calls: Investor view

More than half of investors say they consider having video with earnings calls important, with 21 percent describing it as very important. Slightly more than a quarter consider it to be of no real importance, with 18 percent indifferent to the issue.

Just over a third of North American investors think it is important to have video with prepared remarks, with more than four in 10 considering it to be of no real importance. This is in marked contrast to Asia, where seven in 10 investors view video as important, compared with just 13 percent who consider it not very or at all important.

How important is it for you that the prepared remarks are given with video, not just audio?



Earnings call engagement

Management input and audience interaction

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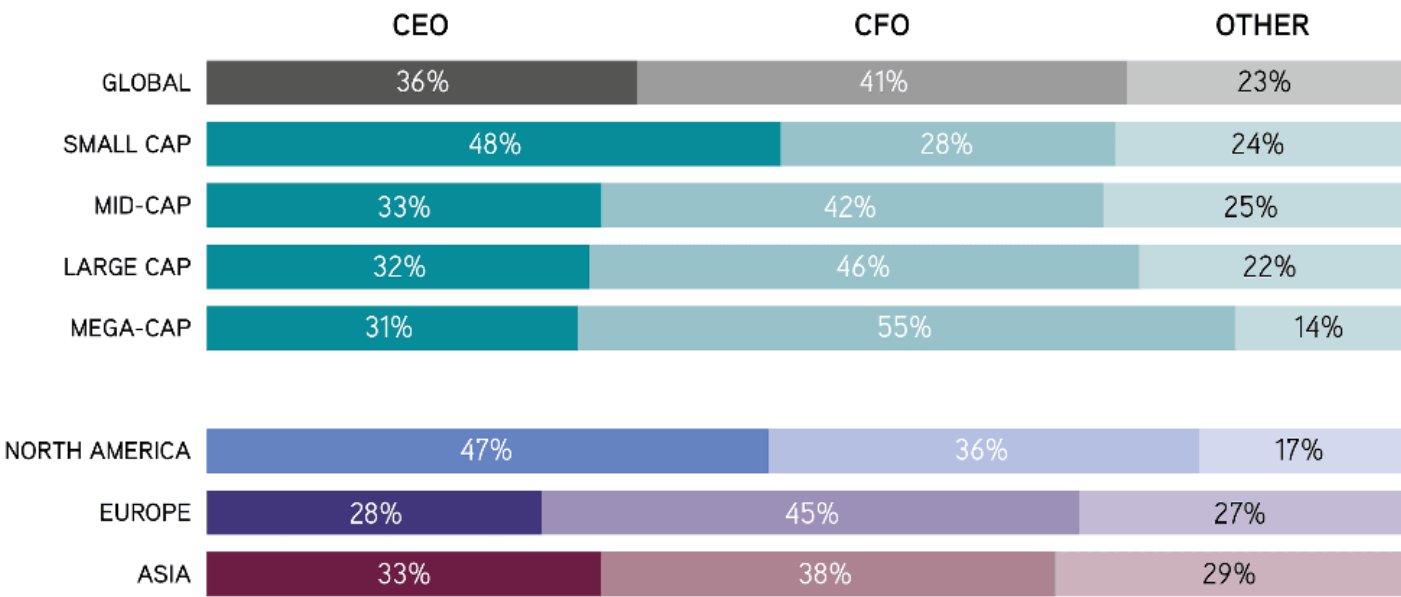
Earnings call engagement

Management input

The CFO typically has the most influence in preparing remarks for earnings calls, closely followed by the CEO. Just over four in 10 IR respondents cite the CFO as the individual who has the most input in preparing for earnings calls, compared with 36 percent who say it is the CEO who takes the lead.

In North America the CEO typically has the most input, while European companies are the most likely to have key input from the CFO and the least likely to have the main input from the CEO. The likelihood of key input coming from the CEO diminishes as company size increases, with the CFO more likely to hold the reins as market cap rises.

Who provides the most input when crafting the prepared remarks for earnings calls?

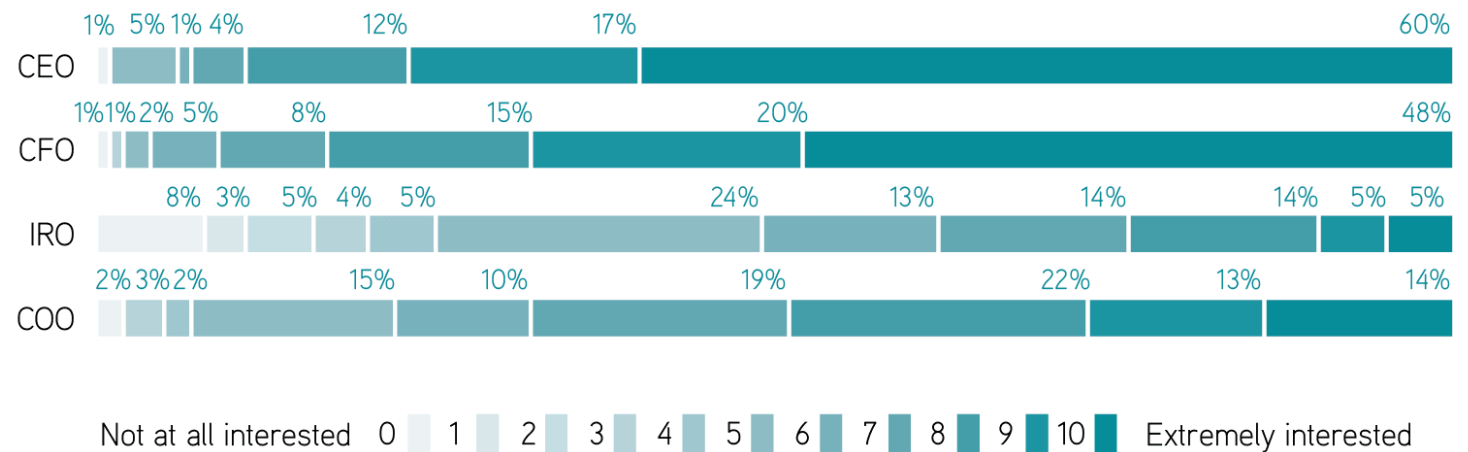


Management input: Investor view

Investors are most interested in hearing from the CEO during earnings calls, followed by the CFO. When asked to rate how interested they are in hearing from different individuals in the company, 89 percent of investors are very interested in hearing from the CEO – giving a rating of 8+/10 – including 60 percent who are extremely interested, giving a perfect 10 score.

This compares with 83 percent of investors who say they are very interested in hearing from the CFO during an earnings call, with 48 percent being extremely interested. Interest in hearing from the COO or chief IRO is much lower, with just under half the respondents expressing a strong interest in hearing from the COO and less than a quarter expressing the same interest in hearing from the chief IRO. A quarter of investors say they have no particular interest in hearing from IR during an earnings call.

How interested are you in hearing from the following groups during an earnings call?

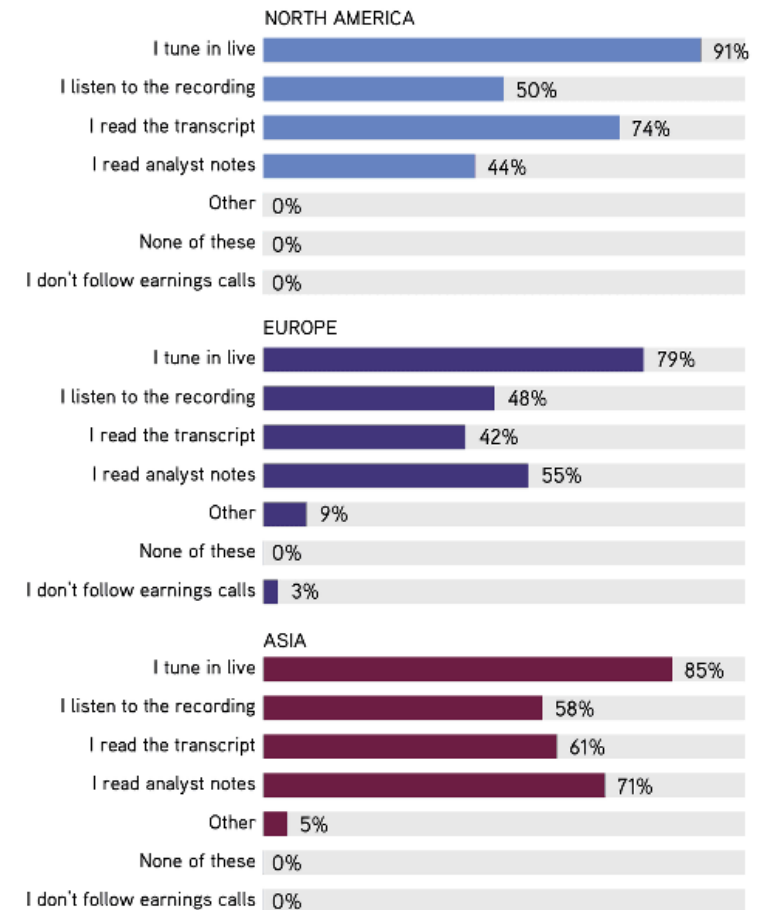
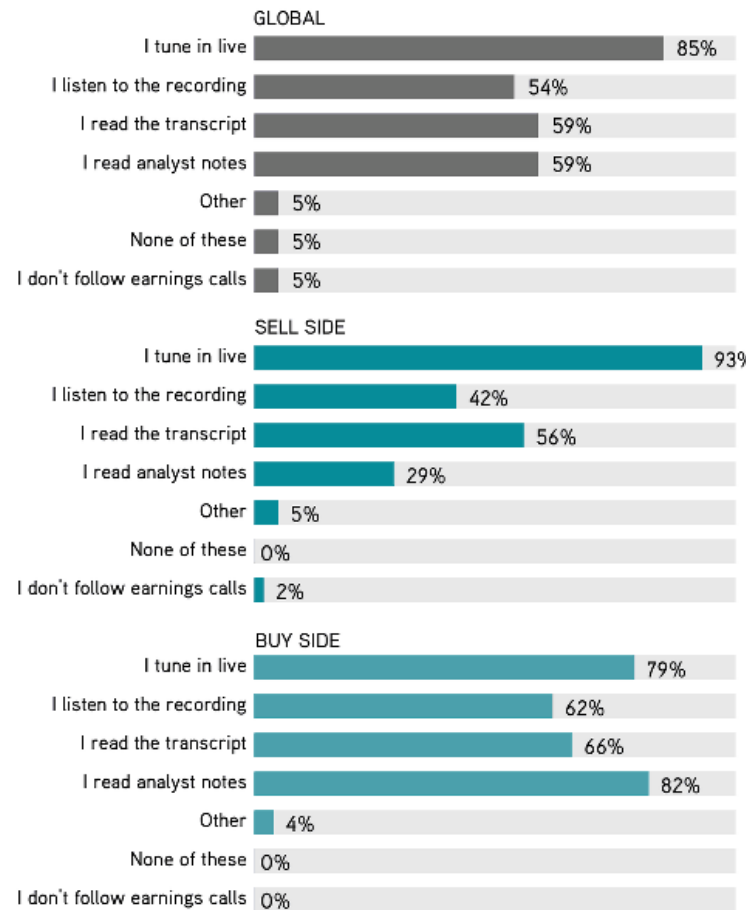


Interaction with earnings calls

When asked how they interact with earnings calls, 85 percent of investors say they listen to them live. Just under six in 10 read the transcript of an earnings call, the same percentage as those who read analyst notes on the call. More than half – 54 percent – listen to the recording of the call, while just 5 percent of investors don't follow earnings calls at all.

North American investors are the most likely to listen live to the recording or to read the transcript. Asian investors are the most likely to read the analyst notes. The buy side is more likely to listen to the recording or read the transcript or analyst notes than the sell side, which is more likely to listen live.

How do you interact with company earnings calls?

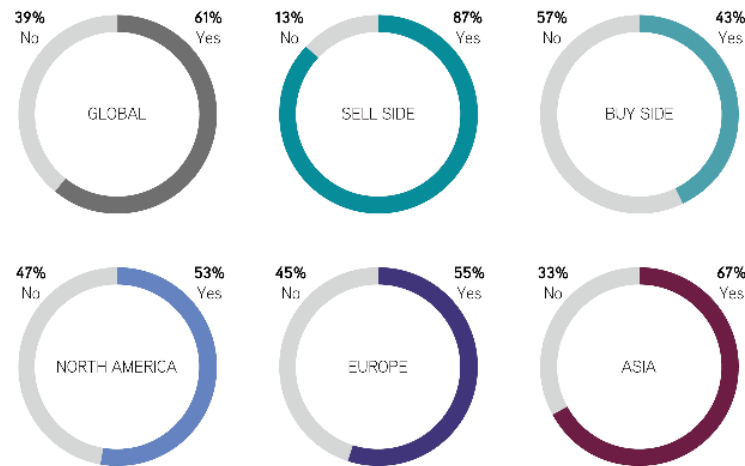


Asking questions

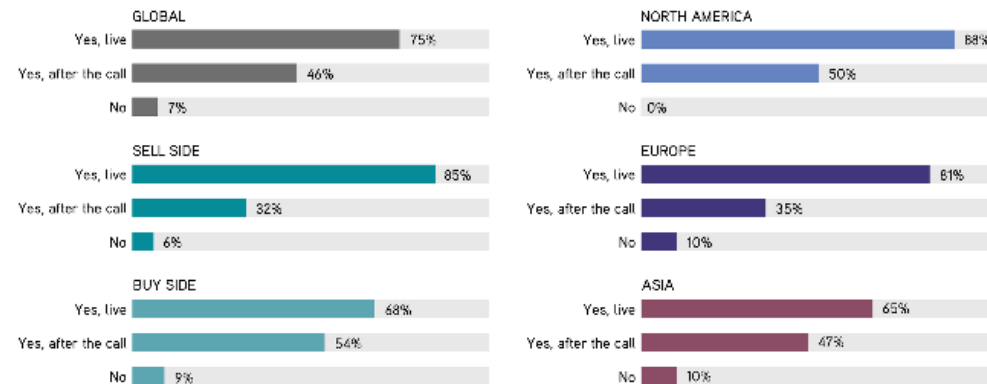
More than six in 10 investors say they generally ask questions during earnings calls. The sell side is much more likely to do so than the buy side. Asian investors are typically more likely to ask questions than North American or European investors.

Just 7 percent of investors say they don't follow the questions asked in an earnings call. Three quarters of them follow the questions live and 46 percent follow the questions after the call. Asian investors are less likely than North American or European counterparts to follow questions live, while the sell side more commonly follows questions live than does the buy side.

Do you ask questions during an earnings call?



Do you follow the questions that are asked during an earnings call?

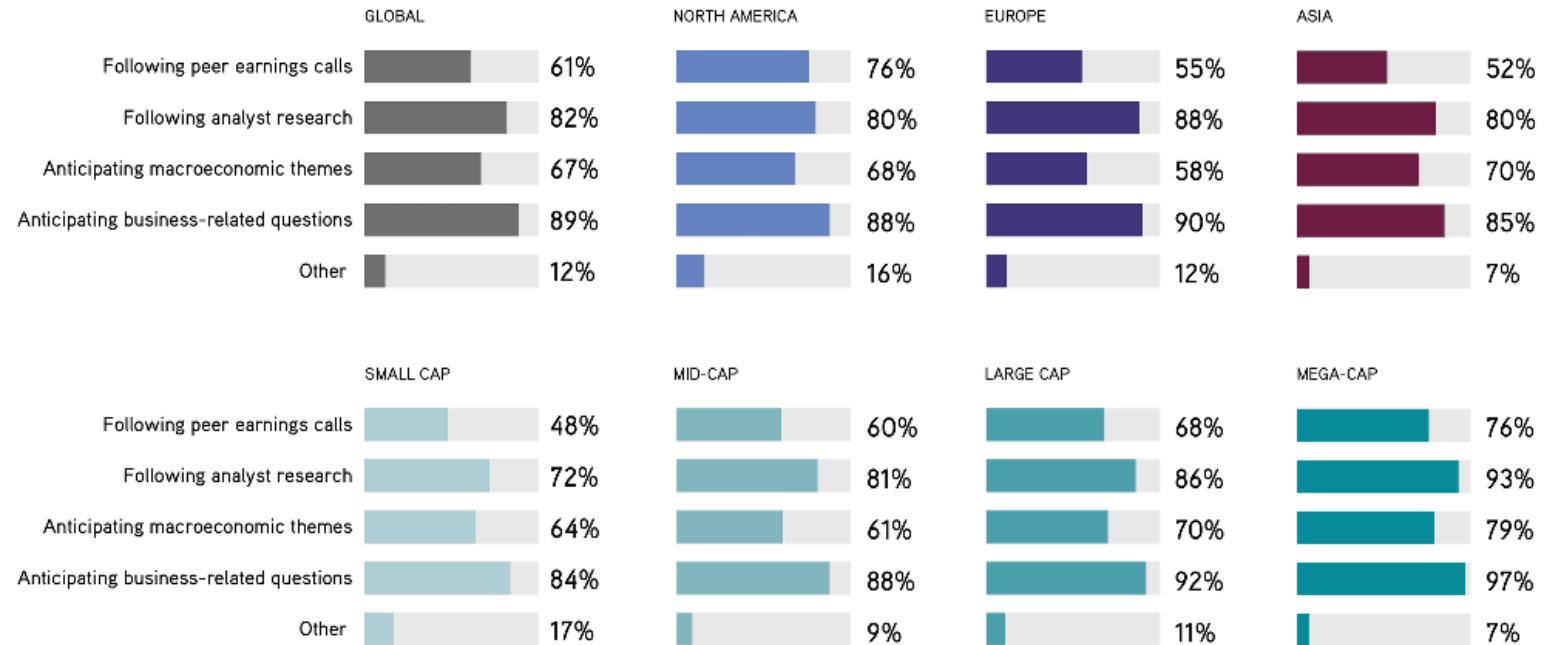


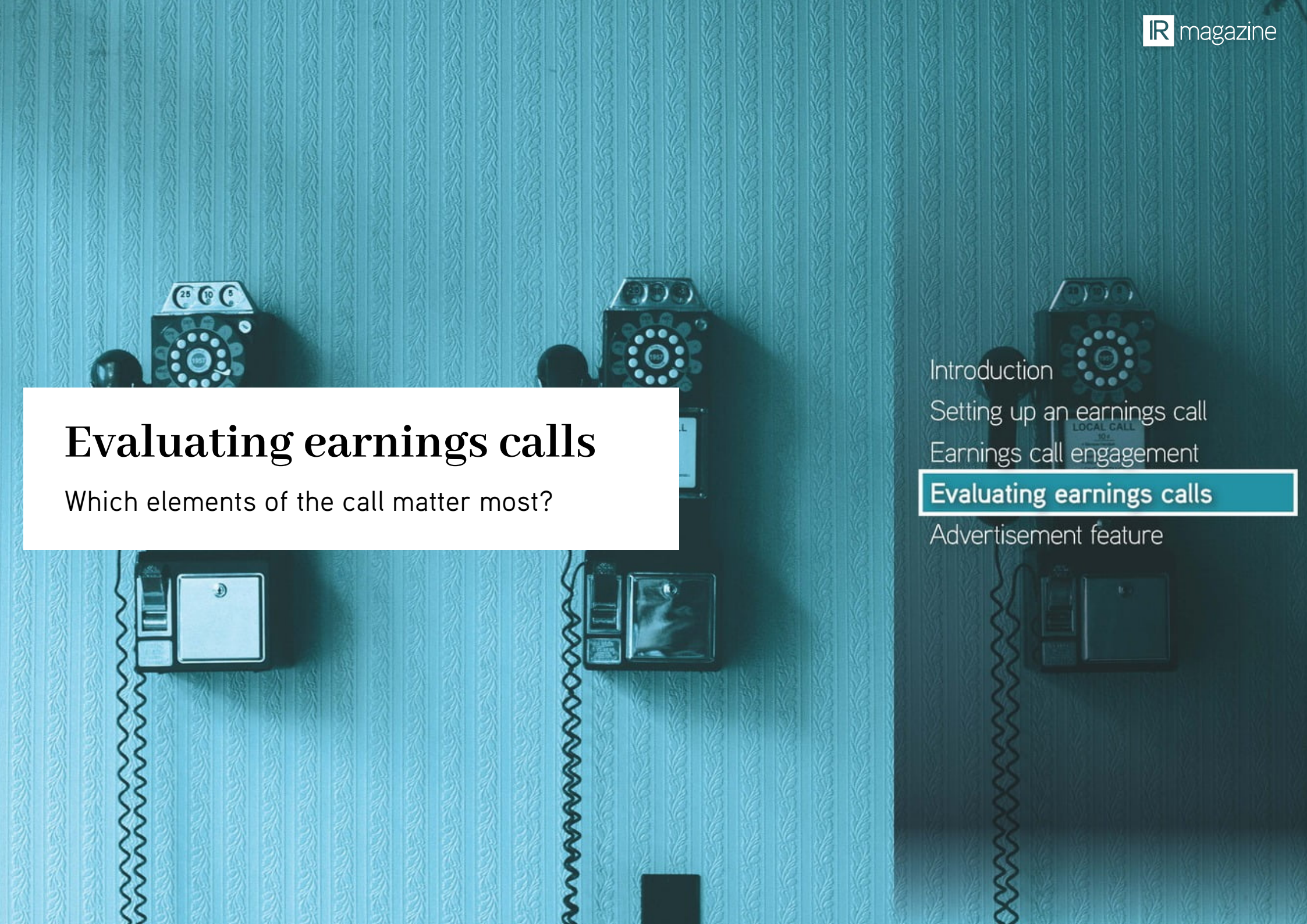
Anticipating questions

In preparation for anticipating what questions are likely to be asked during the Q&A section of their earnings calls, more than eight in 10 IR respondents say they follow analyst research, while just over six in 10 follow the earnings calls of their peers. Following peer earnings calls is a more common practice for North American companies than for European or Asian companies. European firms rely more on following analyst research. The practices of following analyst research and following peer group earnings calls both increase with company size.

Just under nine in 10 anticipate business-related questions in their Q&A and just over two thirds expect macroeconomic themes. Fewer European companies anticipate macroeconomic questions, while there is a greater expectation for both macroeconomic themes and business-related questions among larger companies.

How do you anticipate the analyst questions you will receive during the Q&A section of your earnings call?





Evaluating earnings calls

Which elements of the call matter most?

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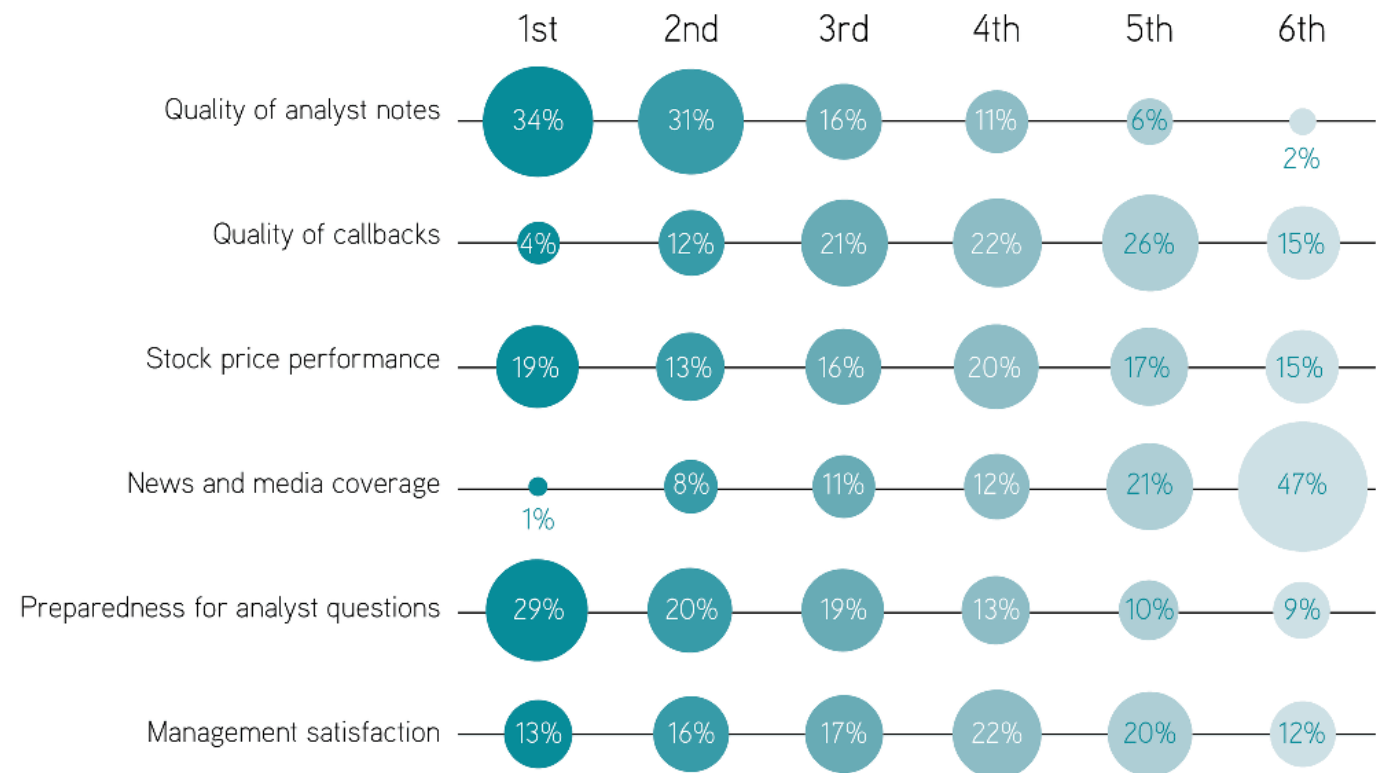
Evaluating earnings calls

IRO assessment

When IROs assess the success of an earnings call, the quality of analyst notes is considered the most important factor, followed by how prepared the firm is for addressing questions during the call. When asked to rank six factors in assessing success, quality of analyst notes is ranked as the most important factor by more than a third of IROs, while preparedness for analyst questions is ranked top by 29 percent.

Stock price performance is considered more important than management satisfaction in earnings calls when assessing their success. The two factors of least importance to IR professionals are quality of callbacks and media coverage.

Please rank the following in order of importance when assessing the success of an earnings call



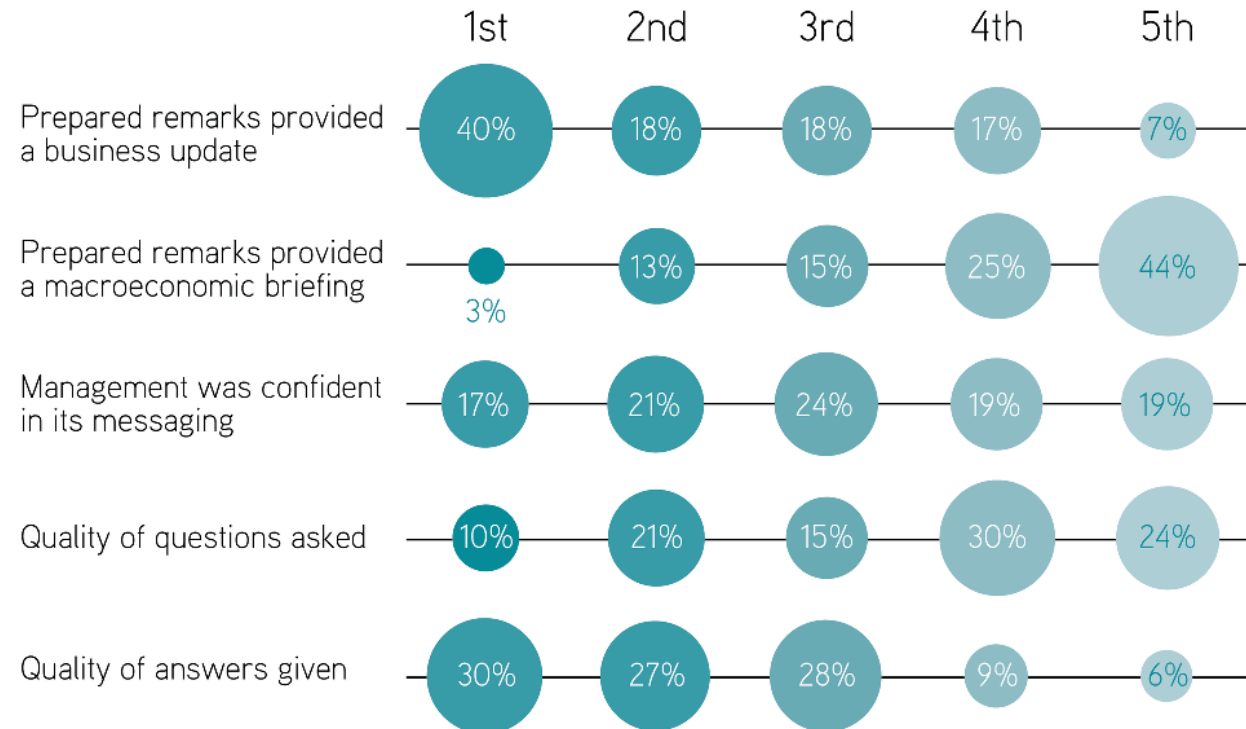
Investor evaluation

The most important factor for investors in evaluating earnings calls is the extent to which the prepared remarks provide a business update, closely followed by the quality of answers provided to analyst questions.

When asked to rank five factors in order of importance, providing a business update is ranked highest by four in 10 investors, while three in 10 rank quality of answers highest. Both factors are in the top two ranks for 57 percent of investors.

The confidence of management in its messaging is the next-most important factor for investors in evaluating earnings calls. The least relevant factor for investors is the provision of a macroeconomic briefing in the calls.

Please rank the following in order of importance when evaluating whether an earnings call was helpful to you



Mistakes in earnings calls

When investors were asked what common mistakes companies can make in their earnings call, they gave a diverse range of answers. These include too much time spent on prepared remarks, focusing on the wrong measurements and not giving investors enough time before and during the call.

[Click for: Mistakes comments part 1](#)

'Spending too much time on macro and blaming misses on macro factors'	Buy-side analyst	Asia
'Too little communication about the connection of earnings to long-term sustainability'	Buy-side analyst	Europe
'Lack of clarity in prepared remarks and inability to answer the topical market concerns'	Buy-side analyst	Europe
'Failure to define the narrative on the company'	Buy-side analyst	North America
'Not prepared for questions, limited disclosures on key topics'	Buy-side analyst	North America
'Feeling pressured to maintain guidance when the initial results are below plan. Just reduce your guidance and get it over with. Let the actual results surprise positively. Not providing organic growth, not answering questions directly and not addressing seasonality'	Buy-side analyst	North America

[Click for: Mistakes comments part 2](#)

'Unbalanced allocation of time to non-essential details. Limited quantitative data on topic of interest or as answer to the questions'	Sell-side analyst	Asia
'Too focused on what has already happened but not addressing the problem or how it is going to react to the changing market'	Sell-side analyst	Asia
'Waffling answers instead of being upfront and saying it is unable or unwilling to answer a question'	Sell-side analyst	Asia
'Prepared remarks are too long. Not limiting questions per analyst. Not providing any direct answers to questions. Only reporting on year-to-date results instead of the current quarter'	Sell-side analyst	Europe
'Releasing results a few minutes before the call, leaving no time to read release. Taking only written questions. Allowing some participants to monopolize the Q&A session'	Sell-side analyst	Europe
'Boring diatribes and sycophantic Wall Street analysts'	Sell-side analyst	Europe
'Not making timely IR presentations (quarterly results, important business updates). Not replying to analyst questions'		

Useful practice

Below is a selection of comments from investors on what they consider to be useful practice in earnings calls.

Click for: Useful practice comments part 1

'Clear business review that follows the same structure each quarter'	Buy-side analyst	Europe
'Providing sensitivity and/or outlook on key topics, helping investors better understand drivers of the business, discussing investments the company is making internally and recapping the results of previous investments/initiatives made'	Buy-side analyst	North America
'Providing a fully adjusted P&L showing how any adjustments affect each item in the P&L, so that we analysts can model the fully adjusted P&L. Showing a table with how the guidance has changed throughout the year, and why'	Buy-side analyst	North America
'Frame the quarter/half/year in terms of longer-term investment thesis'	Buy-side analyst	North America
'Insights not only for the company but also for the industry. Forward-looking guidance'	Fund/portfolio manager	Asia

Click for: Useful practice comments part 2

'Give earnings presentations and prepared remarks transcript in advance or at least at the same time as the actual earnings report'	Fund/portfolio manager	North America
'More Q&A and no more than 15 minutes of management presentation'	Fund/portfolio manager	North America
'Well-structured presentation with access to high-level executives for Q&A'	Sell-side analyst	Asia
'Commenting on relative standing within an industry and possible developments markets are worried about'	Sell-side analyst	Asia
'Outlook on each division is helpful. Covering each segment driver as well'	Sell-side analyst	Europe
'Full statements in English should be obligatory. Core financials and KPIs available in the Excel file. Collecting key points of interest from analysts/investors ahead of the results. Make a recording of the call available right after the	Sell-side analyst	Europe

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Behavior changes gaining steam on the earnings front

By Steven Fink, managing
partner at MessageBank and
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It is with great pleasure that MessageBank and OpenExchange are collectively sponsoring the *Earnings Calls* research report by IR Magazine.

The management of our companies have been providing virtual event and meeting services to the investor relations marketplace for the past 30 years and, in that time, we've seen a few major technical and behavioral changes that have impacted the way in which IR activities are conducted.

We were at the forefront of pioneering the concepts related to

issuers initially co-ordinating quarterly earnings conference calls in the early 1990s, when touch-tone phone technology allowed sell-side analysts to put themselves in a 'question queue' on a conference call for an operator-moderated Q&A session subsequent to scripted prepared remarks.

This dramatically changed the manner in which management teams presented their quarterly results: communications started to happen over the course of an hour rather than the typical week-long process of speaking to analysts and institutional shareholders individually. The audio-conferencing technology became easy to use and cost-effective. And it provided substantial value to analysts and shareholders.

This was further influenced when fair disclosure regulations and governmental policies such as Sarbanes-Oxley mandated equitable dissemination of information for all investment constituents. The result was

another transformation, changing how public company information and results were communicated to the marketplace.

Getting the picture

The research and results of this IR Magazine report are indicative of an analogous transformative change taking place today. And it can be summed up in one word: video.

The Covid pandemic has fast-tracked the use of technology for virtual business meetings in ways never seen before. The use of Zoom, Microsoft Teams, Skype, FaceTime and other video connection services has exploded since March 2020 and there is no turning back. Video technology has

The richness of information in a video call makes audio-only communications seem antiquated

The Covid pandemic has fast-tracked the use of technology for virtual business meetings in ways never seen before. The use of Zoom, Microsoft Teams, Skype, FaceTime and other video connection services has exploded since March 2020 and there is no turning back

become ubiquitous, easier to use and cost-effective. The richness of information in a video call makes audio-only communications seem antiquated.

It is clear from our own experience working with clients on a daily basis – and further proven by the data in this report – that the primary methods of business communication have changed rapidly and permanently.

Technical advancements along with accelerated adoption due to the pandemic and a realization of the benefits of video technologies – such as richer communication, enhanced analytics and reduced environmental impact due to reduction in travel – have set the stage for another broad-based industry shift.

Shareholders, analysts, journalists, and employees have all come to expect

and demand more personal interaction with C-level management. Video technology has enabled this in such a way that management has an opportunity to tell its story in a more impactful manner and, in the process, develop a deeper relationship with these communities.

Specific to earnings communications, it is becoming increasingly clear that audiences want more personal

interaction and a closer ‘connection’ to company management than is currently being offered through the traditional conference call or audio-only webcast. Those who miss this opportunity risk being viewed as lethargic and less in tune with evolving investor needs.

MessageBank and OpenExchange are extremely excited about the evolution in our industry relative to widespread acceptance and deployment of video-enabled content in the investor relations marketplace. Be it pre-recorded or live video presentations combined with visual interactivity between analysts and management, the trends are becoming clearer.

We look forward to engaging with you to assist and advise you on a path toward a richer and more meaningful earnings communication process.

Sponsors' statements

About MessageBank

MessageBank is a leading provider of customized multimedia event solutions to the IR and financial communications marketplace. The company produces and hosts strategic conference calls and webcasts for global multinational companies, financial PR consultancies and buy-side/sell-side firms. With an emphasis on industry-aligned consultative services and support delivered by the executive management team, MessageBank bridges best practices, consistent value-add and co-ordinated execution for the most sensitive audio, web and video services, allowing C-level management teams to effectively communicate with shareholders, analysts, employees and the media. The company provides seasoned expertise in event management for applications including earnings, off-site investor days, M&A transaction announcements, corporate town hall and employee meetings, crisis/regulatory communications, press briefings and product and service launches/webinars.



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