



There were at least three companies who hosted video conferences to discuss their quarterly operating performance and financial results during the most recent earnings season. Many more are using social media to communicate with the financial community during and in between the release of quarterly earnings. We have come a long way since corporations began conducting earnings conference calls with the financial community nearly twenty years ago.

The preparation for my first earnings conference call consisted of a meeting with the CEO and CFO to develop an outline of the topics we wanted to discuss. We listed the top three points we wanted to highlight on the call at the top of the one-page outline. Management spoke from the outline. We didn't develop a script or Q&A document in those days and it is common, and prudent, to do so today.

The practice of meeting with the CEO and CFO to develop an outline continued for the remainder of my career; however, the outline was developed into a script for the call. Preparing a script not only allows more complex information and comprehensive presentation, it encourages meticulous review across multiple disciplines including finance, law, marketing, operations, etc. We incorporated management's outlook on future financial results prepared for the script into the earnings news release, which was filed with the SEC on Form 8-K. Most of the script, excluding the outlook, was incorporated into the Management's Discussion section of the 10-Q and 10-K.

In the beginning, the buy side participated in the calls and asked questions. Today, the buy side has multiple alternatives compared with dialing into the actual conference call such as webcasts, telephone replays, MP3 downloads and transcripts prepared by third parties. If they do participate in the actual call, the buy side rarely asks questions. The sell side asks most of the questions, which in many instances, appear to be opportunities to reinforce their assumptions and investment opinions.

During the most recent earnings season, I reviewed the investor relations web sites of 610 companies to determine:

- 1) The popularity of conducting quarterly earnings conference calls
- 2) The popularity of including slides with the audio
- 3) The duration and content archived on the IR web site after the call
- 4) The influence, if any, of the above variables on the price/earnings multiple

My research began with a smaller number of companies, but more were added to achieve a good mix. The median market cap for the research group was \$8.5 billion. More information about the research group is at the end of this article.

Quarterly earnings conference calls remain popular.

Approximately 97 percent, or 591 companies reviewed, conducted live quarterly earnings conference calls. Only calls with live Q&A sessions were included in this category, regardless of whether management's prepared remarks were recorded.

The remaining 3 percent, or 19 companies, did not conduct live quarterly earnings conference calls. A few companies in this category offered quarterly updates in alternative forms such as pre-recorded audio without live Q&A or material that could be printed from the web site such as CFO Commentary, Quarterly Review and Quarterly Report.

Use of slides was split nearly 50/50.

Approximately 54 percent of the companies in the research group conducting conference calls, or 321 companies, presented slides on their calls. Seventy of the 321 companies, or 22 percent, filed their slides with the SEC either combined with the 8-K for the news release or as a separately filed 8-K for the slides only.

Several companies updated a universal slide presentation posted on their IR web site to incorporate the most recently released quarterly financial results. Although an interesting idea, this type of slide presentation was not included in the 54 percent referenced in the previous paragraph. Only slide presentations developed specifically for the quarterly earnings conference call were included.

About 58 percent of the companies archived material for one year or less.

Duration of Archive	Number	Percent
Less Than 90 Days	36	6%
One Quarter	70	12%
Two Quarters	12	2%
Three Quarters	23	4%
One Year	199	34%
More Than One Year	251	42%
Total	591	100%

Most companies provided a telephone replay of the quarterly earnings conference call in addition to an audio archive on the company's IR web site. The duration of the audio archive typically exceeded the short duration of the telephone replay.

The duration of archived data surprised me. My former companies archived earnings conference calls for one quarter. Each quarter replaced the archive of the previous quarter. Management's Discussion in the 10-Q and 10-K filed with the SEC served as the long-term archives for quarterly and annual operating performance and financial results along with the earnings news release on Form 8-K, also filed with the SEC.

Audio is the most popular content archived among the research group who conduct quarterly earnings conference calls.

Audio with slides represented the second most popular archive.

The following table is comprised of data about archives only. The company conducting a conference call with slides and/or printed prepared remarks may have chosen to archive any combination of the three and/or a transcript. Only the content archived for the full duration was included in the tabulated results below, regardless of what occurred during the live quarterly earnings conference call.

Content of Archive	Less Than 90 Days	One Qtr.	Two Qtrs.	Three Qtrs.	One Year	More Than One Year	Total
Audio Only	31	46	8	12	100	19	216
Slides Only	--	--	1	--	6	96	103
Transcript Only	--	2	--	--	4	20	26
Alternative Content Only	--	--	--	--	3	3	6
Audio with Slides	5	20	3	10	65	43	146
Audio with Transcript	--	2	--	--	5	10	17
Audio, Slides, Transcript	--	--	--	--	11	15	26
Audio and Alternative	--	--	--	1	2	4	7
Slides and Transcript	--	--	--	--	3	33	36
Slides and Alternative	--	--	--	--	--	8	8
Total	36	70	12	23	199	251	591

All **Audio** archives referenced in the previous table were confirmed. I found many icons displayed on IR web sites which were inactive and the audio inaccessible. In most instances, the same service provider was the IR web site host and the conference call archive was more than one year old. Many companies solved this problem by offering MP3 downloads or simply removed the icons referencing inactive audio archives.

The **Slides** mentioned in the table were developed specifically for the quarterly earnings conference call. Universal slide presentations posted on IR web sites and updated with quarterly financial results were not included.

The **Transcript** referenced in the table is a transcript of the entire call, including live Q&A. Third parties published a majority of the transcripts. Prepared remarks excluding Q&A were not considered transcripts for this study, but were included in the **Alternative Content** category.

Supplemental information prepared to provide segment data and/or non-GAAP reconciliations were excluded from this study. The variability of the information provided under the heading of supplemental information exceeded the parameters of this study.

No apparent correlation between the variables and the price/earnings multiple.

Since stocks trade with their industry and the overall market, the P/E multiples used for this study were collected at the close of the market on the same day for all 610 companies and then compared by industry. Although only a snapshot in time, conducting a quarterly earnings conference call and/or including a slide presentation on the call and/or archiving any mix of content for one month or years didn't appear to influence the P/E multiple compared with other companies in the same industry.

This is not a surprise. The information a company provides has more influence on its stock valuation than the format used to communicate its investment characteristics. A common problem is to become inundated with logistical details while preparing for the release of earnings. Focus on articulating the link between operating performance and future financial results. The information should be comprehensive, timely and easily accessible. Continuity will lead to a stock valuation which reflects your company's financial performance and future growth prospects relative to its peer group.

Recommendations:

- Review your company's peer group to determine if changes are necessary to your quarterly earnings conference call and/or archive practices. The buy side will compare your company with others in your industry and being an outlier may not help you.

- Incorporate slides if it helps explain complex material or clarifies your messages. The risk is creating a script from the slides rather than developing slides to complement a script.
- Consider filing the slide presentation specifically developed for the quarterly earnings conference call with the SEC through a Form 8-K disclosure. Celanese Corporation took this a step further by filing an 8-K one day prior to its quarterly earnings conference call which incorporated, as separate exhibits, the earnings news release, the slides and management's prepared remarks for the call.
- Review your IR web site to make sure archived material is easily accessible. This is even more important for companies who provide a mix of content for more than four quarters. Good examples include: Analogic Corporation; AT&T Inc.; CSX Corporation; Micron Technology, Inc.; and Newell Rubbermaid Inc.
- Remove the icon(s) for any audio archived on your IR web site which is no longer active. This will support your integrity. You may want to consider offering MP3 downloads if you plan to provide audio archives for more than four quarters.
- Consider providing photographs along with the titles of the management team speaking on the earnings call. A good example is Motorola Solutions, Inc.
- If video conferencing is of interest to you, review the recent earnings videos archived by Netflix, Inc.; Sonic Foundry, Inc.; and Yahoo! Inc.
- The National Investor Relations Institute (NIRI), the professional organization for investor relations, conducts a survey with its membership every couple of years about earnings call practices. The latest survey was conducted in 2011 and the results are very informative.

Please email or call me if you have any questions. For more information about The Heights go to www.theheights-planning.com and/or to sign up for email alerts, go to www.theheights-planning.com/blog.

Research Group Statistics

As mentioned previously, I reviewed the IR web sites of 610 companies during the Summer 2013 earnings season. The following two tables display the mix of market caps and industries of the research group.

Market Cap	Number	Percent
Small Cap (\$150 to \$999 Million)	70	12%
Mid Cap (\$1.0 to \$4.99 Billion)	153	25%
Mid/Large Cap (\$5.0 to \$9.99 Billion)	100	16%
Large Cap (\$10.0 to \$25.0 Billion)	146	24%
Mega Cap (More than \$25.0 Billion)	141	23%
Total	610	100%

Industry	Number	Percent
Aerospace and Defense	15	2%
Airlines	5	1%
Business Services	20	3%
Chemical	19	3%
Consumer Goods and Services	79	13%
Energy	22	4%
Entertainment and Sport Activity	8	1%
Financial	44	7%
Health Care	49	8%
Hospitality	19	3%
Industrial Goods and Services	35	6%
Insurance	22	4%
Metals, Mining, Crude Oil Production and Refinery	32	5%
Motor Vehicle and Parts	18	3%
Retail	58	10%
Technology	72	12%
Telecommunications	24	4%
Transportation, Railroad and Freight	15	2%
Utilities, Gas and Electric	27	4%
Waste Management	3	1%
Wholesalers	24	4%
Total	610	100%