

Contemplating Your First Earnings Call? Things to Consider

Whether initiating earnings calls due to a recent IPO, SPAC business combination, or as part of an expanded IR effort, there are some important considerations when embarking on the regular practice of hosting quarterly financial results calls.

Why Hold an Earnings Call Anyway?

All public companies go through the financial reporting process every quarter. So why complicate it further by adding an earnings call to the mix? Having a publicly accessible quarterly call serves several purposes:

1. It increases corporate and management credibility and establishes transparency and a regular line of communication between a public company and the investment community.
2. It puts names and voices to the people behind a company and creates a certain level of comfort for potential investors by hearing directly from management on a regular basis.
3. It allows a company to comment on relevant topics and metrics and be a part of the greater conversation taking place within the industry.
4. It provides a transcript, which serves as a key tool for investors doing due diligence on the company, not just in the moment but for quarters to come.
5. Many institutions will not invest in a company that does not conduct earnings calls.

Additional Materials & IR Bandwidth – What Will You Need to Be Prepared?

Beyond ensuring quarterly or annual SEC filings and earnings press releases are in tip-top shape, hosting a call means a company will want to add one or two more documents to its to-do list each period. The company will need to have someone internal or an outside consultant with the skills and bandwidth to develop the following:

1. Script/prepared remarks – This is important as it ensures a company addresses all the important points and information its team wants to highlight.
2. A supplement or accompanying deck – This is helpful but not entirely necessary for the first call or even subsequent calls. A company can consider providing a simple supplement with a slide for operating highlights, a few financial slides, and key take-aways, and build from there in subsequent quarters.

The Prepared Remarks – What to Highlight?

In addition to the operator’s introduction and the ever-captivating safe harbor language, a company should begin by briefly outlining the overall structure of the call and introduce the members of management who will be speaking (who will be discussing what topics). If you are a newly public company, it is appropriate to give brief backgrounds on each speaker.

The topics to incorporate in the prepared remarks vary somewhat, but there are several high-level points that investors and analysts generally will be listening for:

Overview of company and key investment highlights. This is geared toward those newer to the company, but it is also helpful to fortify it for those who have been following the company and let them know you are seeking to attract additional interest.

Summary of financial results and financial position. It is important to highlight the key operational metrics for the reporting period and the drivers behind them, as well as the financial position of the company, and any significant changes. It is not necessary to recite every financial metric, as participants can easily access the information from the news release.

Latest developments. Earnings calls are not just about the numbers. It is an important opportunity for a company to highlight noteworthy operational happenings that have a bearing on the future of the business.

Market outlook, growth strategy and, guidance or outlook commentary. It’s helpful to provide investors and analysts with the company’s view of the marketplace, where it fits within that landscape, and how the company differentiates itself from its peers. If providing guidance, discuss the drivers of those objectives, and if the company does not have the visibility to provide specific guidance, some outlook commentary can be quite helpful in the absence of guidance. Also address the long-term vision and the key elements of the strategy to achieve that vision.

When drafting prepared remarks, review notes from past one-on-one discussions with investors and analysts to ascertain recurring themes and questions. Likewise, what topics and metrics are peers addressing in their calls? Reviewing transcripts of peer calls provides a nice window into the mindset of the investment community and what they are thinking about when it comes to the industry at large.

Q&A – What Are People Thinking About?

Feeling hesitant about an open Q&A session? There are many ways to prepare properly. What may be most helpful is anticipating what questions will be asked. Similar to when drafting the prepared remarks, review past notes from conversations with the investment community and take a look at the topics addressed and questions asked on peer calls. The questions will vary depending on the company, the team, recent corporate and macro developments, analyst coverage, and recent engagement with investors. But of course, practice makes perfect... most of the time. If a company has covering analysts, these folks will mostly likely ask questions, and some may be willing to share in advance the general topics they expect to ask about in the Q&A session.

Participation – You’ve Done the Work, Now Get Folks to Listen!

Once the earnings call has been publicly announced, reach out to the company’s covering analysts and top holders, as well as other analysts and investors with whom the company has spoken in recent months to make sure they are aware of the event, especially when it’s the company’s first call.

Also make sure Bloomberg and other major financial resources have the call incorporated in their calendars.

The Logistics – Does Timing Matter?

Last in this piece but one of the first things the company will address – the question of when to hold the call. Some things to ponder... How many days after the close of the quarter? Should the call be held pre-market, post-market or during market hours?

The date depends on when the results will be finalized. If all else fails, make a conservative estimate, allowing some cushion should timing slip. But once it has been announced, for perception and credibility reasons it’s important not to move the date unless absolutely necessary.

The time of the call depends on location and investor base. Choose a time that makes sense for the speakers and the shareholder base. For example, if a company and its leadership are based on the West Coast, an after-market close release and conference call may make the most sense. Pre- and post-market are popular options for earnings calls, but many companies hold their calls during morning trading hours and have successful, well-attended calls.

Keep in mind that the scheduling of the earnings call should be announced in a press release well in advance of the event (ideally 1-2 weeks before). Make sure the details of the event (date/time, dial-ins, webcast link) are all visible and easy to find on the company’s website once it has been announced.

In Summary

To close, the earnings call is a highly valued investor relations tool. It serves as a platform for a company to frame its financial results, share regular updates on corporate developments, and give a voice to market views and outlook. Additionally, it provides the investment community with the opportunity to participate directly in a conversation with the management team, thus increasing credibility, transparency and relationship-building. An earnings call should reflect the company and the leadership team, and be appropriate for its market, stage of development, and audiences. Most importantly, companies must prepare accordingly. Time waits for no one, so establishing deadlines and key messages, and circulating drafts of materials well before the targeted earnings report date is the first step to successful first (and subsequent) earnings calls.

For additional insight on this topic, reach out to our team at 212-836-9600 or info@equityny.com.