



communication matters

Dial Up Your Quarterly Earnings Call

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Given how long the practice of quarterly earnings calls has been in place, you would think companies would routinely be getting the most out of this well-established communications channel. The purpose of the call is really quite simple: companies get to deliver their messages to a relatively captive investor audience, while investors get direct access to the senior management team and immediate answers to their questions.

It should be a win-win for everyone. And yet, both parties regularly hang up feeling disappointed if not frustrated. Management may feel the questioners focused too much on trivial or short-term issues and not enough on long-term strategies, while investors might complain that the company didn't tell them anything new or useful.

As with most communications, content is king. For quarterly earnings calls, higher-quality content in the prepared remarks leads to a richer subsequent discussion during the Q&A.

So, if you are among the chronically disappointed, there are a few things you can do to improve the effectiveness of your quarterly earnings calls. And since most companies with calendar-based fiscal years have recently completed their third-quarter earnings call, now would be a good time to review the content development process in preparation for the year-end call.

1. **Don't assume.** Conduct an "audit" of your financial audience at the end of each quarter by polling a handful of investors. This will help give you a clear understanding of what might come up on the call. If nothing else, you create additional goodwill going into the call by asking for input.
2. **Don't read.** Simply rehashing what's in the release will prompt some of the loudest complaints from investors. Remember, you aren't recording a book on tape – you are starting a conversation. Focus your prepared remarks on the three or four core takeaways from the quarter and how they relate to your progress against stated goals. And, whether you read from a script or use talking points, be sure it sounds like you're saying it and not reading it.
3. **Address the "elephants in the room."** Take ownership of the issues that are top of mind with investors by addressing them directly in your opening remarks. Doing so will enhance your credibility and ensure that the audience hears your messages – and may even help deflect difficult questions during the subsequent Q&A session.
4. **Practice with an inside[r] audience.** A formal dry-run of the earnings call – including a small audience of internal and external advisors on a private dial-in number – will allow you to test your core messages and command of the issues, as well as solidify your approach to the anticipated tough questions.
5. **Make sure you have the last word.** By the end of the Q&A discussion, investors have likely taken you deep into the weeds on topics such as expected tax rates or NOL carry-forwards. Don't allow the call to end on this granular level – prepare closing remarks that allow you to reinforce your core takeaways and re-establish your expectations going forward.
6. **Follow up after the call.** Take the time to do a brief "exit poll" with investors who were on the call but did not ask questions – or even those who were unexpectedly not on the call – to determine how well your message was received and identify any misperceptions that need to be addressed.

Quarterly earnings conference calls remain a vital cog in investors' due diligence machine. By enhancing what you put into them, you can dramatically improve what you get out of them.

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