



Quarterly Earnings: What Can Communications Control?

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What we do?

alva provides **intelligence** to the Fortune 2000

We **integrate** business, stakeholder and media intelligence to help our clients understand and connect with their stakeholders

We call this category **reputation intelligence**

How is alva being used?

To **measure the effectiveness** of communications activities

To **understand** the issues and stakeholders that affect the company's reputation

To **link** reputation intelligence to key business metrics

The Quarterly Results **announcement** is
one of the most **scrutinized** events in a
firm's annual calendar

Integrated reputation intelligence can
empower Communications teams to
proactively manage the **impact** of their
company's announcements on
stakeholder **perception**

Earnings day what can and cannot be controlled

To achieve this empowerment, communications teams must understand the answers to these questions:

How does the media report on and affect earnings announcements?

Does media reporting on earnings day affect stock price?

What truly can and cannot be controlled on earnings day?

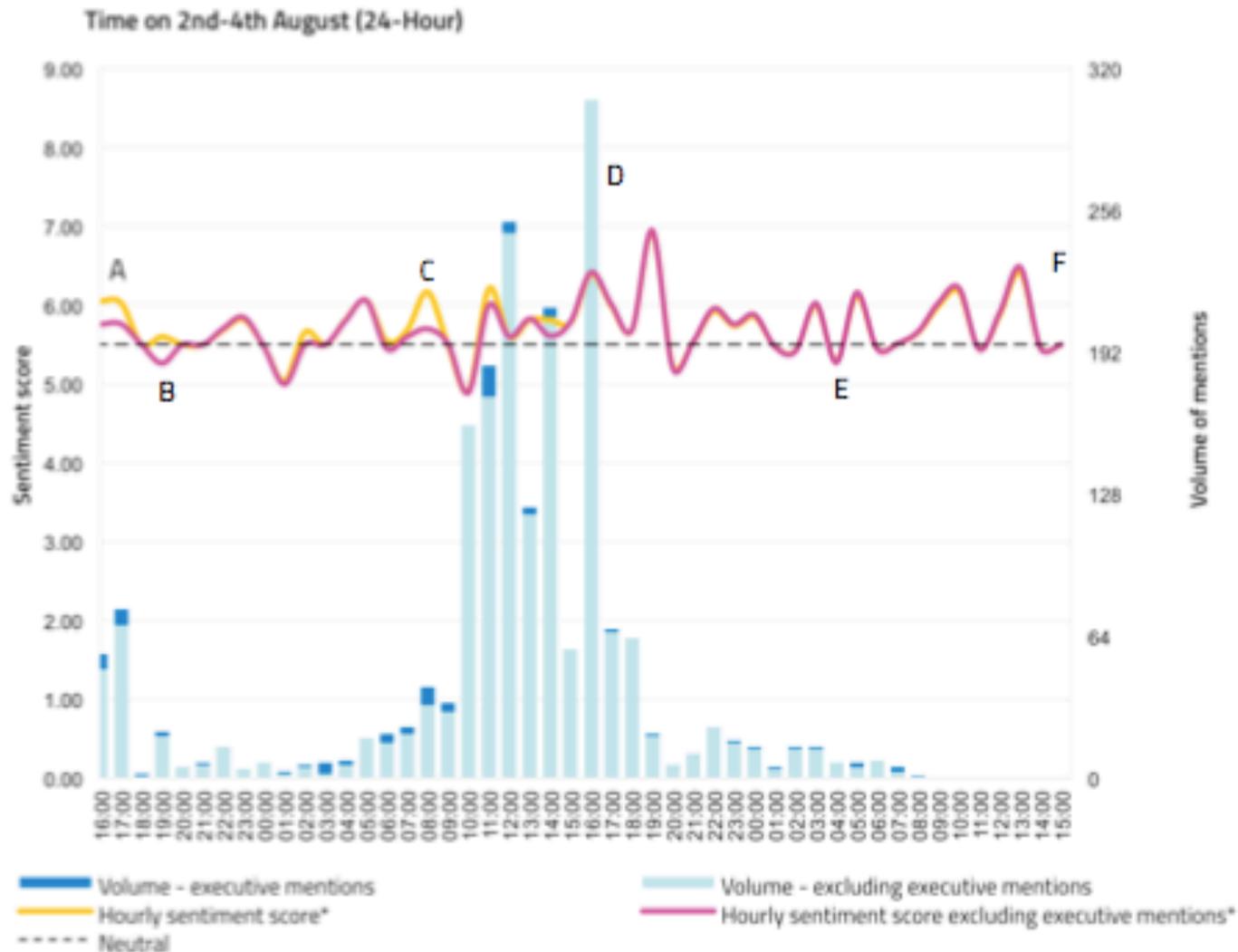
Last year, alva's Insight Analysts **collaborated** with AI's communications team to answer these very questions.

We analyzed **400,000** pieces of **content** from publicly-available sources, including print, online and social media as well as radio and television transcripts, analyst notes and publicly-available polls and surveys.



Does media reporting on earnings day affect stock price?

Figure i: Intraday (hourly) Media Analysis of AIG's earnings Announcement



Does media reporting on earnings day affect stock price?

AIG's 2Q 2016 earnings call shows coverage and sentiment fluctuating from positive to negative, hour-by-hour over the period, depending on each new piece of information received.

- Media coverage can be very volatile, even across just a few hours.
- Coverage of earnings announcements generally confined to a short period of time - 2-3 days at most
- Media reporting and amplification of the event within this timeframe is generally very granular and nuanced.
- Earnings day necessitates a much more microscopic perspective to truly understand the effect of specific events, ratings and communications; and overall impact on sentiment towards the organization
- alva typically analyses sentiment on a daily basis over a longer period to understand what moves the needle in the course of a month, a quarter or a year.

Does media reporting on earnings day affect stock price?

Best Practice

It is important to analyze common factors across multiple announcements that shape sentiment and volume in media reporting:

- Which analysts seem to trigger greater impact?
- How do certain words or positioning of events alter the impact?

Assemble playbook of what has been effective hour-by-hour in communicating certain earnings scenarios

Use a test and learn approach to understand how different approaches play out

Build a series of best practice case studies of what works best under which circumstances.

Does media reporting on earnings day affect stock price?

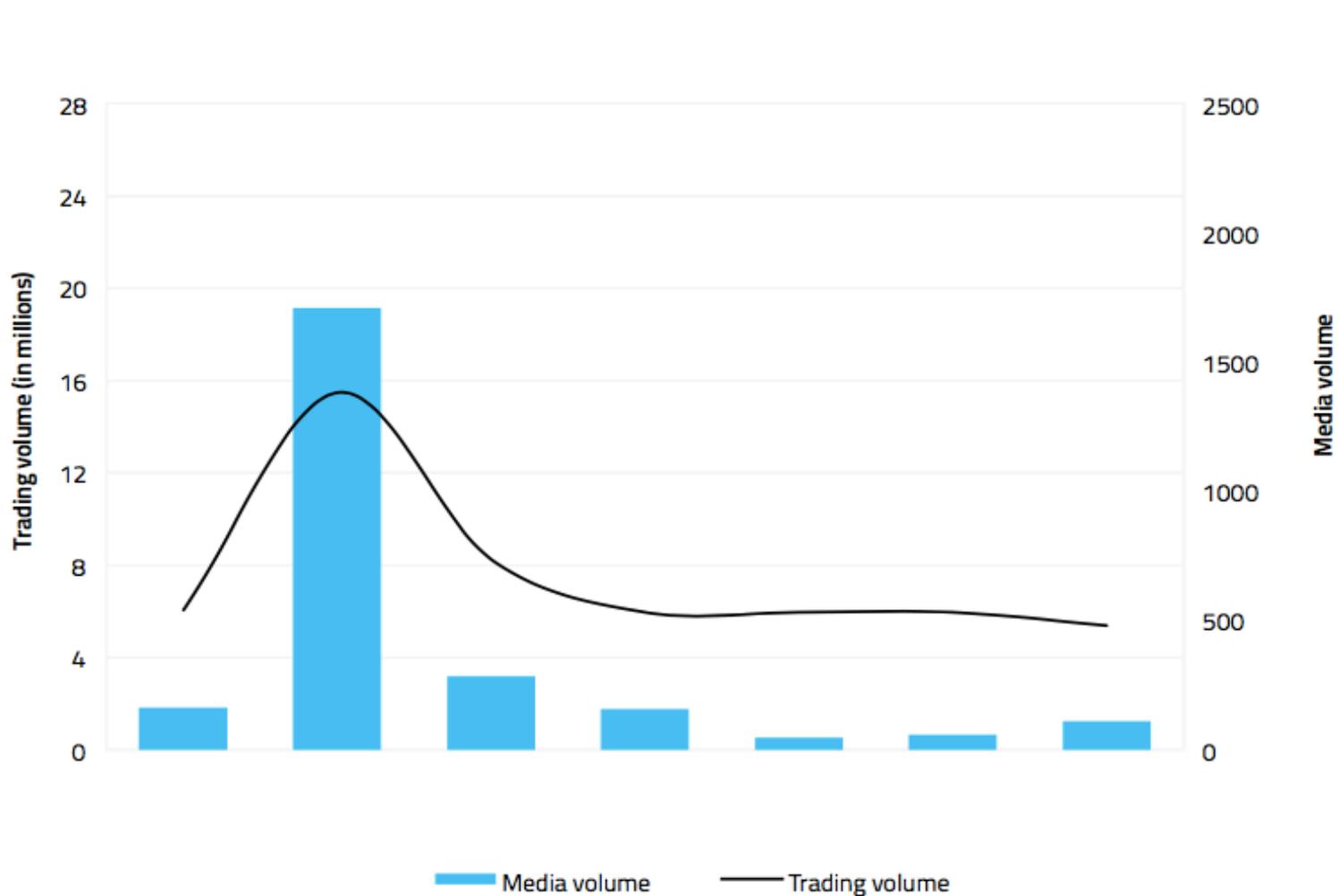
“It has long been observed that when firms announce their quarterly earnings, as they are required to do, considerable price volatility and increases in trading volume are evident. In addition, in the days around earnings announcements, stock prices usually rise”

Matt Nesvisky, the National Bureau of Economic Research

The following three figures support this observation...

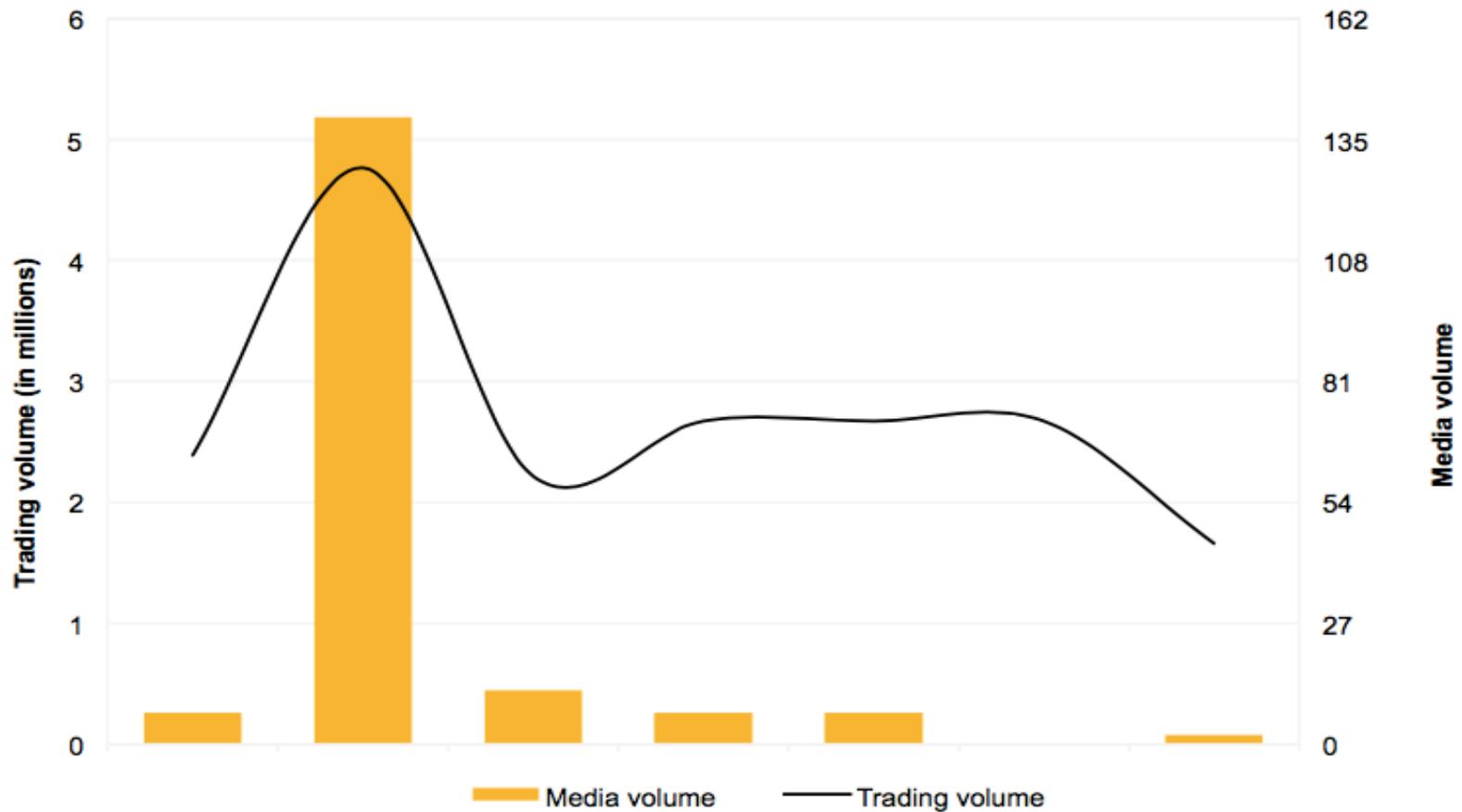
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Figure ii: Trading Volumes Overlaid with Media Volumes – AIG 2Q Earnings – 2 – 8 August 2016



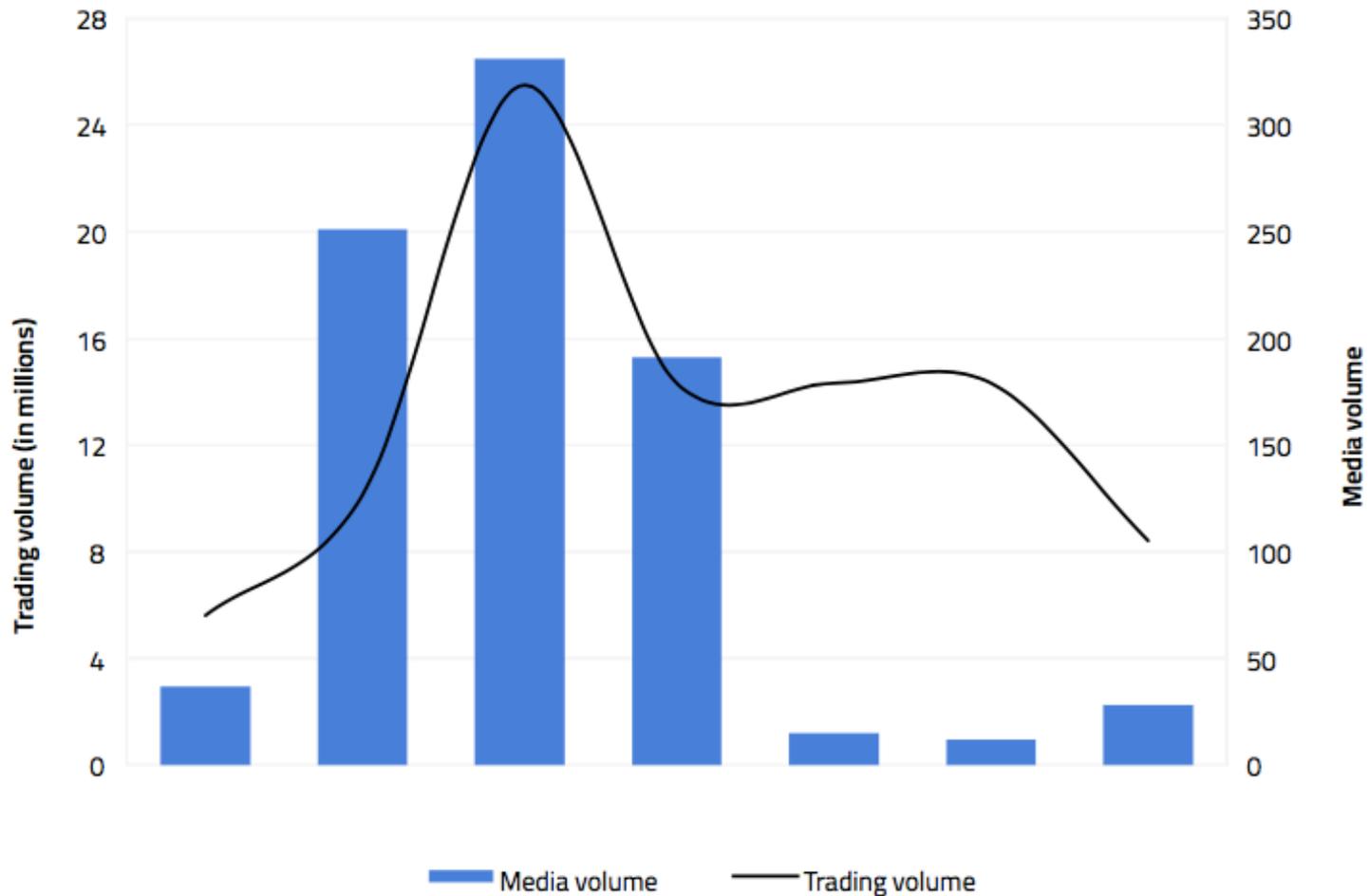
Does media reporting on earnings day affect stock price?

Figure iii: Trading Volumes Overlaid with Media Volumes – Voya 2Q Earnings – 2 – 8 August 2016



Does media reporting on earnings day affect stock price?

Figure iv: Trading Volumes Overlaid with Media Volumes – MetLife 2Q Earnings – 2 – 8 August 2016



Does media reporting on earnings day affect stock price?

Best Practice

Analysis of the media coverage/stock price correlation over a longer period of gives a clearer indication of the strength of the link between these two variables.

This approach enables companies to build knowledge and mitigation plans for the type of event or reporting that is likely to trigger a significant fluctuation in trading volume.

Forewarned is forearmed. With an hourly view on developments in the media narrative, companies can respond in an agile manner to developments.

What truly can and cannot be controlled on earnings day?

There are obvious factors such as whether the earnings miss, meet or beat targets.

A miss is almost always going to result in negative sentiment in the media and from the investment community. However, there are levers that can be pulled to allow for a “softer landing.”

From alva’s analysis, some of the variables that should be considered as part of any earnings announcement include:

Analyst recommendations

- How should the communications team respond to these?
- What level of amplification can be achieved and how?

Timing of earnings announcement

- When in the week?
- What time in the day?
- Proximity to competitors?

CEO presence

- How visible should they be?
How long should they talk for?
- Which messages should they focus on?
- How long after the earnings announcement should the call be?

Earnings announcements are subject to volatile media reporting on an hourly basis – a more microscopic view of media response is needed to effectively manage these events.

Each company's investment environment is different. Analytics and insights can inform what works and what doesn't for different scenarios to optimize comms around earnings.

There are a number of controllable factors which Communications teams can leverage to improve the outcome of their earnings announcements from enhancing positivity to reducing negativity.

Thank you

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