



IR Practice Note
The Earnings Press Release

5 BEST PRACTICE **CONSIDERATIONS**

INTRODUCTION

There is one central component of the earnings communication cycle: the press release. It can even be seen as the center around which the rest of earnings communications may revolve.

Most companies issue a press release along with their official periodic earnings filing. It typically details financial performance in a concise, reader-friendly way and includes commentary from management.

The press release is often the first piece of information that investors, prospective investors and analysts seek as they evaluate a company each earnings cycle. It also serves as an essential mechanism for employee communications.

As a core part of the Investor Relations (IR) function is to provide a window into management thinking, corporate strategy and performance, the press release performs a critical role in helping to achieve those objectives. **In this practice note, we offer a roadmap for how to optimize use of your earnings press release as a strategic communication tool, conveying context to support the quarterly financials.**

In the US, companies are required to report earnings every quarter. This is not the case in Europe or many other jurisdictions, where semi-annual reporting is the standard. Foreign private issuers in the US may choose to report in their home market cadence. Our commentary remains the same no matter the reporting cadence the issuer chooses, and in this document we refer alternately to quarterly or periodic reporting.

Similarly, not every company hosts an earnings call, with accompanying slides, transcripts or Q&A sessions. It is not an SEC requirement and is at the discretion of management. However all issuers strive to communicate their strategy clearly and effectively, and a thoughtful use of the press release can help achieve those goals.

Best Practice #1

CONSIDER YOUR FULL AUDIENCE

Consumers of the earnings press release are broad ranging. They can include sell-side investment analysts, institutional and retail investors, company employees, current and prospective customers, and competitors. Each has varying needs and motivations, and therefore views the content through a different lens.

Less sophisticated investors may consider the earnings press release as a primary source of information for their investment decisions. For these investors, a simple, balanced presentation of both positives and areas of concern that the company is facing are important, but also an indicator that the reporting and the reporters (management) are meeting their obligations and are forthcoming with investors. This is also true for another key part of the audience – the company’s own employees.

Research analysts and sophisticated institutional investors may also focus on the press release to quickly and comprehensively evaluate the impact of the company’s strategy, goals and key performance indicators (KPIs). Institutional investors often desire to quickly compare quarter over quarter results. As a result, maintaining the consistency of formatting, information and definitions is important. Refining definitions or KPIs for previously reported items may not only be inconvenient, but could be interpreted as a signal that the company is changing management’s view of priorities, an indicator of how the company has managed through difficulties, or signal that there are underlying questions to follow up on. Due to this potential negative perception of KPI changes, any change should be thoroughly explained or justified with data, specific reasoning or ties to strategy goals.

In addition to investors and analysts, a company’s current and future customers may use the earnings press release to better understand the overall health of the company and its ability to deliver promised products or services, understand key competitors or business segments, and think about what the future of the industry could look like. Competitors are also keen readers of this material, making it important to keep them in mind when discussing headwinds, regulatory changes or other competitive concerns.

¹ <https://www.sec.gov/divisions/corpfin/internatl/foreign-private-issuers-overview.shtml#III>

² <https://public.com/learn/what-is-an-earnings-call?>

Best Practice #2

EMBRACE HOW YOUR AUDIENCE GATHERS INFORMATION

Investors don't read the press release in a vacuum. Understanding other ways that investors may gather data outside of the press release will help issuers design a document that places information in fuller context for the reader, making it more digestible and more effective. Some investors will listen to the earnings call while reading the related regulatory filings or the press release instead of viewing any presentation deck presented by management on the quarterly call's slide deck. Investors may use newer, specialized IR apps or websites to help them track data quarter over quarter or year over year. Some of these online services allow their users to look at longer-term trends than the company may be reporting in the release. Research analysts often look at their own models side by side with the press release. Thinking about how investors might use the press release while also using other sources can help to refine the design, and help to prioritize clarity, simplicity and comparability of information.

IR teams should keep in mind that the financial news sites or other materials that they use to place their earnings into context might not be the same sources as that of their audience. While the IR team may be using professional services like Bloomberg and S&P, retail investors might be viewing materials through the lens of a website, chat room, or other service. Some of these websites and services may use artificial intelligence (AI) to help collate and display information. Understanding that the reader of the press release might not have the same context as the company writing it, the release itself should strive to provide context where possible to maximize the effectiveness of the communication. Clear, concise, plain language and consistent charts and tables quarter over quarter will help to smooth the friction potentially introduced by a possible difference in sources.

AI and other machine learning programs can also be considered part of the audience, and in fact they may be the quickest and most responsive parts of the audience for earnings materials. AI driven algorithmic trading and AI-created news generation takes place immediately upon the release of the quarterly information and is often executed in illiquid, after-hours markets. This can cause price swings in those thin markets and influence the direction of the on-exchange trading that follows.

Ensure any AI testing is done on a private platform to guard against leakage of private or early information to the market!

Checking the press release by testing it against an in-house or private/protected AI program to understand how it will be perceived by machine readers will become more common, we believe, and is beneficial for the IR team as they draft verbiage and design. These programs can provide a line-by-line breakdown of sentiment, showing percentage positive or negative sentiment for each part of the document.

Best Practice #3

STRUCTURE INFORMATION THOUGHTFULLY

There is more flexibility than ever before to introduce formatting elements and organize information in a way that can help to emphasize information that management views as particularly important. AI can read within tables and graphs, and digital publication makes creating and distributing graphic materials more standard. As these documents are generally released in PDF form, there is no need to stay with older text-based designs. Graphic elements allow readers to absorb information quicker and understand context better than text, and leaving the press release as a text-only document misses out on this advantage.

Using visual appeal in the headers of the press release to highlight key information may be the most direct way of grabbing the reader's attention. This placement can also be easy for machine readers to pick up as well. A focused, short statement on the most important metrics that stand out visually gives the reader key context for the rest of the report by indicating what management is most focused on.

Next, key metrics that management uses to measure performance under an initial highlight or text banner may also benefit from using some graphic or visual treatment to highlight them. Just as with the quarterly investor presentation or website, visual elements in the press release are helpful to reinforce branding and highlight strategy. While the release should be simple, it may still use placement, color, and other design elements to direct the reader to key items.

Earnings, sales and other growth drivers – in other words, data that is about trends and movement – presents best in graphical format. Demonstrating growth may be clearest to the reader when shown in a straightforward chart or in other graphical treatment such as a different font or color. These can be true graphs or other elements of graphical design where numbers are specifically highlighted.

Considering what investors may focus on can also be helpful in deciding how to present information such as share counts and buybacks. What they are looking for in that information, among other things, could be whether their position will be diluted, and to understand if share buybacks may have impacted P/E or other ratios. The why behind the change may dictate how it will be most effectively explained. If share count changes have occurred over the quarter or year, the scale of the change and why those changes happened may indicate whether this information needs to be highlighted, shown in tabular or graphic form, or can be more simply presented.

Management discussion may benefit from being presented in text format, but it doesn't need to be giant blocks of text to get the meaning across to investors. If the intention for the information is to clarify or highlight significant numbers, changes or trends, it may be placed adjacent to those figures to strengthen the impact of the text.

Balance sheet and cash flows are almost always shown in tabular format. Key to note is that line-item order should be as consistent as possible quarter over quarter, and definitions should not vary, for the ease of comparison by human and machine readers to older periods that we noted above.

Best Practice #4

DEMONSTRATE UNDERSTANDING INVESTOR EXPECTATIONS

Best practice for investor relations communication is commonly understood as a two-way street – issuers communicate their strategy and results to ‘the street’ but in return also learn from investors their views of the company and communicate that back to management. That information flow can help inform strategy and company direction. A press release that indicates that the management team understands investor expectations may reinforce this two-way strategic conversation.

To this end, the CEO commentary may be used to highlight key outperformance against expectations and to explain any discrepancies. Readers with the least time to dig into details are likely to read the CEO commentary before anything else, and the human ‘face’ on the quarter that’s driven by the written statement as compared to a tabular presentation of results may help to make the items in this section more memorable and understandable to a wide audience.

Using phrasing that points to figures, statements or events is a technique called “signposting”, where words or sentences are used to indicate to the reader that this is an item to focus on. Consider using signposting language, with words or phrases such as “importantly” or “as part of our key highlights” may allow the reader to focus on the company’s previously announced targets or KPIs. This may be combined with discussion of events, milestones or specific metrics that demonstrate achievement of targets that investors may be focused on.

Highlighting progress using comparable or prior period comparisons that are clear, relevant seasonally, and that don’t vary quarter-over-quarter (Q-on-Q) are made may also be a good technique.

Best Practice #5

HIGHLIGHT HOW THE PERIOD FITS INTO THE STRATEGIC NARRATIVE

Using the press release to highlight progress in the strategic narrative for the company may maximize the utility of the periodic reporting to investors, showing them the road ahead with its challenges and wins alike. As the IR team outlines the press release and discusses the context around the business’ various components or segments, thinking about clearly showing how management sees those segments in the context of the company’s plans using key metrics at the top of the release may be a good approach. Similarly to considering the use of ‘signposts’ again with placement and with specific words such as “drive” “strategy” “focus” “plan” describing the metrics and tying them to announced plans or areas of strategic focus.

Here again a strategic use of the note from the CEO may be important, and may influence how investors and others relate the periodic release to previously discussed long-term strategy. Specifically mentioning exactly how reporting period goals tie to announced longer term objectives of the company, highlighting facts and metrics, could demonstrate the company’s adherence to those plans. Reiterating milestones from prior periods and then indicating how the company has followed up on those with further growth or efforts may also reinforce the communication of those longer-term priorities. Press release writers should consider specifically tying goals and metrics to the company’s mission, vision or statements of principles.

Consider tying material sustainability metrics that the company may disclose to financial milestones, where possible, to demonstrate long-term thinking and good corporate governance. Investors may be considering these as part of their mandates to understand the longevity of earnings and growth. Issuers may focus on ensuring these are material if including them in the quarterly release. For issuers in sectors that may have specific environmental or other impact, tying longer term goals such as sustainability metrics to the quarterly earnings could help to demonstrate the consistency and comprehensiveness of the company's strategic planning process.



As news cycles further compress and time demands on the buy-side continue increasing, the competition for investor attention, and hence capital, has never been stronger. Use the earnings press release thoughtfully and tactically to help investors quickly understand how quarterly performance relates to your strategy, enabling them to readily gauge its effectiveness as well as keep near-term misses in the proper context.”

Monique Skruzny
CEO, InspiR

FINAL THOUGHT

Due to the nature of the periodic reporting cycle and how these reports are used by investors and other audiences, consistency in the document and a focus on communicating the material metrics for the company should remain the core focus of the release. However, as these documents become longer, more graphic and more detailed there is an opportunity for IR teams to take advantage of this medium to communicate longer term goals, strategic direction and plans and can serve to consolidate trust in management as they deliver on these.

The release can show investors that the company values their feedback and is responsive to it. As investors view the company through that long-term lens it may give them the confidence to remain invested themselves for the long term, which is itself a common goal for the investor relations team.

For more information or to speak with a specialist,
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