Quarterly Earnings Call

PARTICIPANT WORKBOOK

An inclusive guide to help you understand the format of an earnings call, discover key insights about company strategy, and make a greater impact on performance.

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EXERCISE 1: PREPARE
GETTING READY FOR THE CALL

EARNINGS CALL 101

Every quarter, public companies conduct earnings calls available to, you guessed it, the public. There are basically two parts to an earnings call:

Part 1: Prepared Remarks

The senior executive team will highlight financial performance and progress. Color commentary may be provided around product updates, industry trends, and company success. Pay attention to the tone of the presenters, they may slip into a "humble brag" (if performance was significant), or "apologetic ownership" (if there's disappointment in store for shareholders).

Part 2: Question & Answer

Most often, the meat of the call is devoted to the Q&A. Analysts from the investment community will pose questions for senior leaders to ensure there's a clear vision going forward. Senior leaders will use evidence of financial performance to help communicate that their vision can become a reality.

Whether this is your first call, or you're a seasoned veteran, this workbook will help you effectively listen to earnings calls and analyze any public company: the one you work for, sell to, compete against, partner with, invest in, or admire.

3 THINGS to do before the call...

1. **LOCATE THE CALL OR TRANSCRIPT**
   Use your favorite search engine, or the company's website, and search for: **"[Company Name] Earnings Call"** and/or, **"[Company Name] IR."** Transcripts can usually be found the next day on fool.com or SeekingAlpha.com.

2. **REVIEW YOUR NOTES FROM PAST CALLS**
   If you've attended our course, or completed this exercise in the past, you should have some completed workbooks stored away in a file folder – pull them out so that you can compare current and past performance.

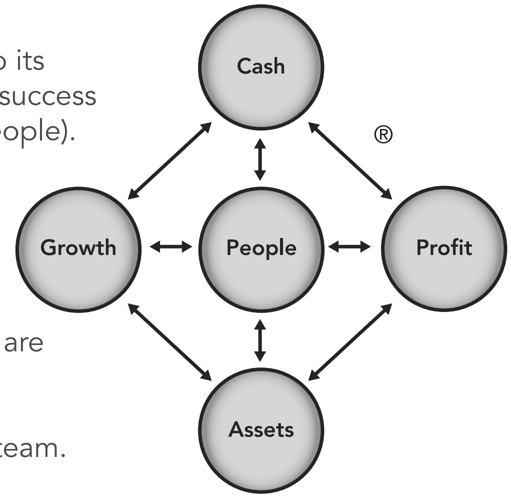
3. **MEET WITH YOUR TEAM**
   Listen to the call or read the transcript with your team and complete this activity together. Plan on meeting a few minutes early to review any notes or action items from past calls and look up the company's stock price. How has it performed as of late?

EXERCISE 2: ANALYZE

BREAKING DOWN THE CALL

EXECUTIVE ALIGNMENT ACTIVITY

If you were to break down even the most complex company into its fundamental elements, you'll find it measures performance and success against 5 Business Drivers® (Cash, Profit, Assets, Growth, and People).



While listening to the earnings call, have your team keep track of how many times each business driver is referenced by creating a tick mark ( ) next to the corresponding driver and then total your results. Keep in mind, each driver may be referenced multiple times through different trigger words, there are a few examples below.

After the call, answer the questions on the next page with your team.

CASH: ______________________ **TOTAL:** __________

Cash Position is the balance in a company's bank accounts, cash on hand, and/or cash equivalents, such as certificates of deposit or money market funds and securities quickly and easily converted to Cash. Cash Flow is the difference between the Cash that flows into the business from normal or core operations less the Cash that flows out of the business for normal operating expenses.

Examples: *Sources and Uses of Cash: dividends/distributions, stock buy backs, debt, issuing stock, capital expenditures, divesting assets, merger & acquisition (M&A), buying and selling assets. Cash Metrics: accounts payables and receivables, days sales outstanding, cash on hand or position, free cash flow, working capital.*

PROFIT: ______________________ **TOTAL:** __________

Profit is the money left over from revenue after expenses are paid, also referred to as earnings, income, or margin. Net Profit (or Net Income) is all revenue less all expenses (the bottom line).

Examples: *Sales, revenues, pricing, volume, top and bottom line, gross profit, direct costs, overhead or SG&A, operating profit or EBIT, EBITDA, net income or earnings, margin, earnings per share.*

ASSETS: ______________________ **TOTAL:** __________

Assets are anything you own or control which has value (such as buildings, equipment, inventory, patents, brands). When evaluating a company's assets, both strength and utilization should be considered.

Examples: *Buying or selling property, plant, or equipment or investing in intangible assets. Asset Strength: current, equity, and debt to equity ratios, liquidity, risk measurement. Asset Utilization: efficiency, productivity, ROA, ROE, ROI, ROIC.*

GROWTH: ______________________ **TOTAL:** __________

Growth is the increase or decrease, by percent, in what is being measured period over period (such as year-over-year revenue or profit growth). Key measures of growth include revenue, key expense categories, and Earnings Per Share.

Examples: *Increase or decrease in top or bottom line, revenue or sales, expansion, and/or profit. Growth rate, organic and inorganic growth, merger & acquisition (M&A).*

PEOPLE: ______________________ **TOTAL:** __________

People include your customers and colleagues (your internal customers).

Examples: *Payroll expense, safety, customers, subscribers, culture, employees, investors, competitors, social, community.*

NOTES & CONSIDERATIONS

1. Which business drivers seemed to get the most attention and why?

2. What were the two or three main points the executives were trying to make?

3. What are the goals, trends, and objectives going forward?

4. What key questions or concerns were raised by the analyst community?

POST-CALL MARKET REACTION

Over the next few days, revisit the company's stock price listing to get a sense as to market reactions. Look over your notes to compare the results you heard on the call with your own expectations. Were there any gaps? Anything from the post-call reaction that has surprised you?

FINANCIAL CALCULATOR ACTIVITY

This calculator will help your team identify key metrics important to senior leaders and investors and compare them to past quarters, competitors, or benchmark companies. Here's how it works: The first column lists ten important business metrics, the line item/s needed to do your calculations, and the metric's equation. The second column indicates the financial statement where the line items can be found. The column labeled, "Current" is where you'll calculate a company's current results and the column labeled, "Comparison" is where you'll calculate the results from a past quarter, competitor, or benchmark company. Save your completed calculators in a folder, over time they will help you tell an insightful story as to the financial health and market position of a company.

Navigating The Financials

	KEY METRICS & EQUATIONS	STATEMENT: Income	STATEMENT: Balance	STATEMENT: Cash Flow	CURRENT	COMPARISON
CASH	1) **Cash & Cash Equivalents** Line Item: Cash & Cash Equivalents		●		Cash & Cash Equivalents $	Cash & Cash Equivalents $
CASH	2) **Cash from Operations** Line Item: Cash from Operations			●	Cash from Operations $	Cash from Operations $
PROFIT	3) **Total Revenue** Line Item: Total Revenue	●			Total Revenue $	Total Revenue $
PROFIT	4) **Net Income** Line Item: Net Income	●			Net Income $	Net Income $
PROFIT	5) **Net Profit Margin** Line Items: $\left(\frac{\text{Net Income}}{\text{Total Revenue}}\right) \times 100$	● ●			Net Profit Margin (———) x 100 = %	Net Profit Margin (———) x 100 = %
ASSETS	6) **Equity Ratio** Line Items: $\left(\frac{\text{Total Shareholder Equity}}{\text{Total Assets}}\right) \times 100$		● ●		Equity Ratio (———) x 100 = %	Equity Ratio (———) x 100 = %
ASSETS	7) **Return on Assets (ROA)** Line Items: $\left(\frac{\text{Net Income}}{\text{Total Assets}}\right) \times 100$	●	●		Return on Assets (ROA) (———) x 100 = %	Return on Assets (ROA) (———) x 100 = %
GROWTH	8) **Revenue Growth** Line Items: $\left(\frac{\text{*This Year's Total Revenue}}{\text{*Last Year's Total Revenue}} - 1\right) \times 100$	● ●			Revenue Growth (——— – 1) x 100 = %	Revenue Growth (——— – 1) x 100 = %
GROWTH	9) **Net Income Growth** Line Items: $\left(\frac{\text{*This Year's Net Income}}{\text{*Last Year's Net Income}} - 1\right) \times 100$	● ●			Net Income Growth (——— – 1) x 100 = %	Net Income Growth (——— – 1) x 100 = %
GROWTH	10) **Earnings Per Share (EPS) Growth** Line Items: $\left(\frac{\text{*This Year's Diluted EPS}}{\text{*Last Year's Diluted EPS}} - 1\right) \times 100$	● ●			Earnings Per Share (EPS) Growth (——— – 1) x 100 = %	Earnings Per Share (EPS) Growth (——— – 1) x 100 = %

PEOPLE: Employee business decisions and customer preferences directly impact every aspect of financial performance.

*May refer to a year-over-year comparison or a quarter-over-last-year-same-quarter comparison | © Acumen Learning | 801.224.5444 | Additional Copies: www.acumenlearning.com/ntf

EXERCISE 3: APPLY

CAPTURING & SHARING WHAT YOU'VE LEARNED

WHAT NEW INSIGHTS DID YOU GAIN AS A RESULT OF YOUR ANALYSIS?

BASED ON WHAT YOU LEARNED, WHAT ARE THREE ACTIONS YOU'LL TAKE?

1.
2.
3.

SCHEDULE A REVIEW

- [ ] **If you analyzed your company**, you've set the stage for a conversation you should have with your manager at least quarterly. We call it an Alignment Review. In this meeting, share your top three priorities and intented goals and ask your manager if anything has changed. Then discuss how your priorities connect to your company's current strategy – the strategy you just learned about by listening to your company's earnings call.

- [ ] **If you analyzed a customer or partner**, meet with your sales manager or account team to define the customer's or partner's business goals, go-to-market strategy, market trends, and important KPIs. Create a plan to leverage this information in your sales discussions and account plans.

- [ ] **If you analyzed a competitor or benchmark company**, meet with your manager or team to compare your business to the company you analyzed. Identify actions you and your team can take to be more competitive and innovative.