



IR Practice Note  
The Earnings Conference Call

# **5 BEST PRACTICE CONSIDERATIONS**

# INTRODUCTION

Earnings calls are an important forum for publicly traded companies to discuss recent financial and operational performance, as well as strategic updates. C-suite executives conduct these calls to inform both internal and external stakeholders, including institutional and retail investors, sell-side analysts, employees and many others, of past performance and future outlook for the company. Calls are typically hosted shortly after the company's release of its financial results via a press release or regulatory filing to provide an opportunity for stakeholders to hear directly from senior management and participate in a question & answer (Q&A) session.

A successful earnings call is informative, engaging and well executed. Planning for this requires meticulous preparation led by the investor relations (IR) team and in close coordination with the firm's business and function leaders as well as subject matter experts from around the company. Below we outline five best practices to consider when preparing for an earnings call.

## Best Practice #1

# SELECT THE RIGHT FORMAT

Technological advances have provided companies with a variety of options to choose from when hosting their earnings calls. While the traditional live audio or video conference call format is still used, many companies are now leveraging pre-recordings of both audio-only and video-enabled calls to ensure flawless execution. At least one company is even using an avatar of their management team reading the script! Pre-recorded approaches can be less stressful and more resilient than real-time situations and have the benefit of allowing senior leaders to be better prepared for anticipated questions during the live Q&A portion of the call.

Available options for earnings call execution, and some of their advantages and disadvantages, include:

- **Live calls: Audio only** is the simplest form of execution and has been commonly used for decades. However, during the COVID pandemic, adaptation of video technology greatly increased, and companies adopted **live video calls**. With this format, teams can host from one location or multiple locations and use Microsoft Teams, Webex, Zoom or another similar platform allowing attendees to see company representatives and possibly also see video of the live Q&A from the covering research analysts. Keep in mind that for live video calls not only is additional preparation time required for video backgrounds, speaker attire and so on, but also, while presenting, executives are limited in their non-verbal communication during speaker transitions, which they are able to do easily with audio only. Both live formats have greater risks than pre-recordings as off-script remarks or miscommunication made during live sessions could ultimately impact the market's perception.
- **Pre-recorded calls:** This format provides greater control over the end delivery of the earnings narrative as the process allows for review and revision by the IR team, editors and legal representatives. If sensitive topics are to be addressed, use of this format can ensure use of appropriate language. When **pre-recording audio only calls**, there are two options: Traditional or digital. With the traditional method, an editor captures the presentation of the speaker who dials into a line to record the content. Slides are uploaded to be viewed simultaneously to the call and can be advanced through the call by the viewer. Alternatively, with digital recording, speakers have the option to join using computer audio. As the recording is captured digitally and has an assigned editor, this format can be more expensive but can have clearer audio quality and more seamless editing. Similar to live video calls, **pre-recorded video calls** allow for company representatives to have a visual presence while also integrating supporting content such as presentation slides. This can be the most expensive of all four formats.

The decision of which format to use is up to the IR team, accounting for preferences and availability of their senior management as well as any budgetary considerations.

## Best Practice #2

# EARNINGS CALL EXECUTION PREPARATION

Thorough preparation for an earnings call is vital to delivering a seamless experience where key messages are clearly communicated to the company's stakeholders. This includes several key steps and coordination among various teams to ensure success. The content creation process is time intensive and should begin with a review of the current macroeconomic or business environment as well as previous and current financials to help identify key topics to be discussed. Logistical considerations are just as important.

Technology is a critical component of hosting any public-facing event. There is an abundance of available call and webcast providers, but one factor in determining the vendor of choice should be demonstrated reliability across large scale events. They should have redundancy in their technology to ensure that an event continues to run smoothly should a telecom or internet issue occur. Most providers offer online dashboard controls that allow for phone or video lines to be managed live, so the IR team can see who has joined the call and who has questions. The IR team can then use the dashboard to orchestrate the Q&A session.

Testing is a second essential part of preparation. Factors that affect call quality range from room acoustics and backdrop to connection quality. Consideration should also be given to the time allocated for management's prepared remarks and Q&A. Regardless of the earnings call format, run-throughs ensure that the timing accommodates the talking points, that the call dashboard is working properly and that all presenters can be clearly heard and understood. However, pre-recorded calls may require more preparation time to work through the "production" aspects with your call provider. Schedule dry-runs at least two days before the call. If using a provider for the first time, schedule the call sooner to allow enough time for any adjustments. Consider assigning a single point of contact from the technology provider who will be on-site for the event and all practice sessions. This person will be responsible for resolving any issues and managing logistics.

Be intentional about scheduling the timing of your earnings call. Consider the timing of peer reporting, industry events and/or conferences in addition to your typical reporting cycle. Overlapping exact call times with companies in the same sector can create a risk of splitting investors' and analysts' time. Hosting an earnings call after a competitor could be advantageous as it provides the opportunity to listen to their remarks, especially those related to sector dynamics, and to hear what questions they field from analysts. This also means that speakers should be prepared to address information provided on a competitor call, if applicable to their company. Check conference schedules to avoid crowded days, and if hosting on a day with multiple earnings releases, consider moving your call timing.

To ensure that investors and covering analysts have access to the transcript consider sticking closely to a pre-prepared and detailed script so that an accurate transcript can be published quickly.

Thorough preparation and execution help ensure that your earnings messages are clearly understood by investors and covering analysts. Miscommunications could adversely affect a company's stock price and/or analyst recommendations.

## Best Practice #3

# LEVERAGE ARTIFICIAL INTELLIGENCE (AI)

IR teams can benefit from using AI powered tools to efficiently sift through various sources of competitive and market data, thereby allowing the team to focus more time on crafting the earnings narrative. AI technology, which includes natural language processing (NLP)<sup>1</sup>, and machine learning (ML)<sup>2</sup> are technologies that enable computers to understand, interpret and generate human language; and learn from and make predictions or decisions based on data without being explicitly programmed.

Corporates seeking to leverage this technology should work closely with their technology and legal teams when onboarding these tools. Content created for earnings releases includes material, non-public information and, as such, access to this information should be restricted and shared on a need-to-know basis. Several ways in which AI capabilities can be leveraged include:

### Data Analysis:

Financial reports can be scanned to help identify financial data points and metrics that should be highlighted.

### Competitor Analysis:

A review of competitors' earnings calls and financial results can offer insights into market trends and positioning.

<sup>1</sup> BNY, Generative AI and the Capital Markets: Transforming Investor Relations, pg 17. November 2023.

<sup>2</sup> BNY, Generative AI and the Capital Markets: Transforming Investor Relations, pg 17. November 2023.

### **Sentiment Analysis:**

Reviewing a comprehensive set of new articles and financial reports can offer insights into market perception of the company's performance.

### **Drafting Key Messages:**

An initial draft of the earnings call script can be prepared for the IR team leveraging available information on the company, peer group and sector to ensure that essential information can be captured clearly.

### **Q&A Preparation:**

A review of past earnings call information and current market dynamics can generate a list of anticipated questions from stakeholders.

There are a variety of options to consider when incorporating the use of AI-powered IR tools into the script generation/enhancement process. Two applications that can be leveraged for the earnings script have slightly different approaches. One operates on the local computer (no internet connection required) and refines an earnings script draft by reviewing it against an existing database of historical call transcripts. The tool rates the document on several parameters so the user has the option to continue to refine it until an ideal script and/or score are achieved. Another example is a tool that requires the user to be connected to the internet and leverages ChatGPT with private cloud technology. In this scenario, the user feeds the system with the documents to be reviewed and in turn curates a customized database over time. Moreover, Generative AI<sup>3</sup> creates an actual script, which can then be refined by the user.

When using any AI technology, it is important to note that final output must be reviewed for accuracy, as “hallucinations” or incorrect output can be produced. At the same time, this technology can be beneficial to IR teams by reducing manual processes and creating efficiencies, thereby allowing team members to focus on more strategic tasks.

<sup>3</sup> BNY, Generative AI and the Capital Markets: Transforming Investor Relations, pg 16. November 2023.

## Best Practice #4

# PLAN AHEAD WITH THE MANAGEMENT TEAM

IR officers work closely with their company's management teams – typically the C-suite – in preparation for earnings calls to ensure smooth and effective execution. It is important to block key dates for senior leaders well in advance of the actual call to ensure that they are available to review the earnings narrative and provide feedback. The process begins around five weeks in advance to start identifying key themes for the period and compiling Q&A topics. During this time, it is also important to confirm the call date and time with the tech provider in addition to scheduling the dry-run with all of the intended speakers.

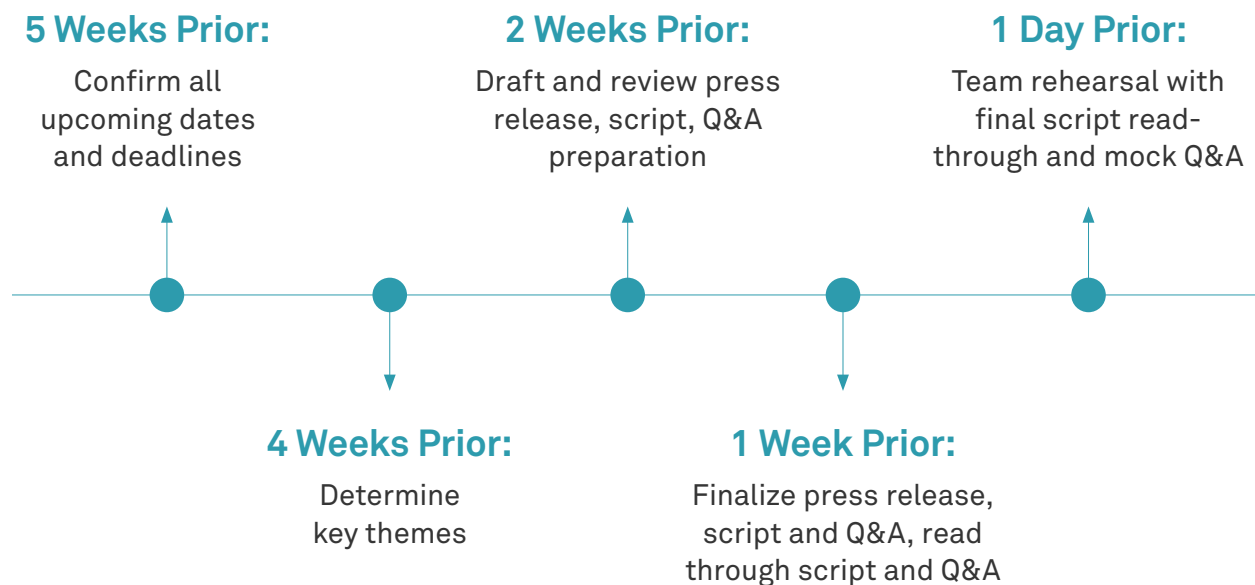
As the weeks progress, all earnings materials should be refined and it can be determined whether to include additional leaders along with the C-suite for the call if, for example, they were responsible for a significant development during the period such as a new product launch. If so, then ensure they are thoroughly prepped, and understand any talking point restrictions from a legal, compliance and regulatory perspective.

Rehearse with the full team to ensure that they have the relevant information for the reporting period as well as potential questions from stakeholders. Run a simulated Q&A exercise to demonstrate what may be top of mind for investors and analysts and ask difficult questions. This is a great opportunity for you to hear how the speakers respond and allow them to tighten their messaging. During this rehearsal, the team can also decide who is best equipped to respond to certain topics. Confirm how much time will be dedicated to the script vs. the Q&A session. When considering pre-recording vs. live formats, note that additional time may be needed for preparation with pre-recording but this format can be more convenient for the management team and will provide an opportunity for the delivery to be tweaked.

1-2 days prior to the call, conduct all final reviews: Perform a script run-through followed by a practice Q&A session, prepare the room for the call, re-review topics and key questions from competitors' calls, finalize the press release and upload it to your IR website – as well as to regulators or exchanges – as required.

Choose the format that fits your needs and budget while ensuring best execution for the firm. A confident and relaxed management team will have more time to focus on content and engagement without distractions. This could be very well received by investors and analysts, who are essential to telling a company's own investment story.

# Earnings Call Preparation Timeline



## Best Practice #5

# PERFORM POST-CALL ANALYSIS

Once the call has been completed, replay audio files are uploaded to the IR website and corrected transcripts are made available, as required, to regulatory bodies to ensure that stakeholders are able to refer back to key messaging. While pdf formats are still widely used, companies are also sharing information in different and new formats such as dynamic slideshows and/or video. Use of these additional media formats can provide different options to demonstrate the company's investment story for various market constituents.

IR teams can assess earnings call effectiveness by measuring a number of possible key performance indicators (KPIs), which may include:

### Participation:

Quantify the number of investors and analysts who participated in the call as compared to prior periods.

**Engagement:**

Evaluate the quality and depth of questions posed and overall engagement during the Q&A session.

**Follow up:**

Assess volume of questions following meeting with investors and analysts in order to gauge clarity and communication of key messages

**Monitor coverage from analysts and media outlets:**

Understand how they are conveying results. As financial coverage increasingly includes articles written by AI-enabled technology, it is important to note that straightforward language expressed clearly and succinctly is beneficial.

**Review stock price performance:**

Volatility as well as out- or underperformance compared to peers could be an indication of whether results - and even more so any forward-looking statements - met or fell short of expectations.

The IR team can use KPIs to demonstrate earnings call effectiveness based on a variety of metrics. This can prove useful to identifying key areas that may need more attention in the future and/or how the market is receiving earnings messaging.

# FINAL THOUGHT

IR teams that continuously review and refine their earnings call preparation processes can establish a strong track record of successful execution. Adopting methods to create efficiencies including the use of AI and working with a reliable earnings call service provider can create more time to focus on the strategic initiatives tied to IR activities. Crafting an intuitive narrative that can be easily consumed by both internal and external stakeholders is an essential part of this process.



# FOR MORE INFORMATION

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