



Earnings Call Transcripts Analysis, Q2 2018

October 2018

Executive Summary

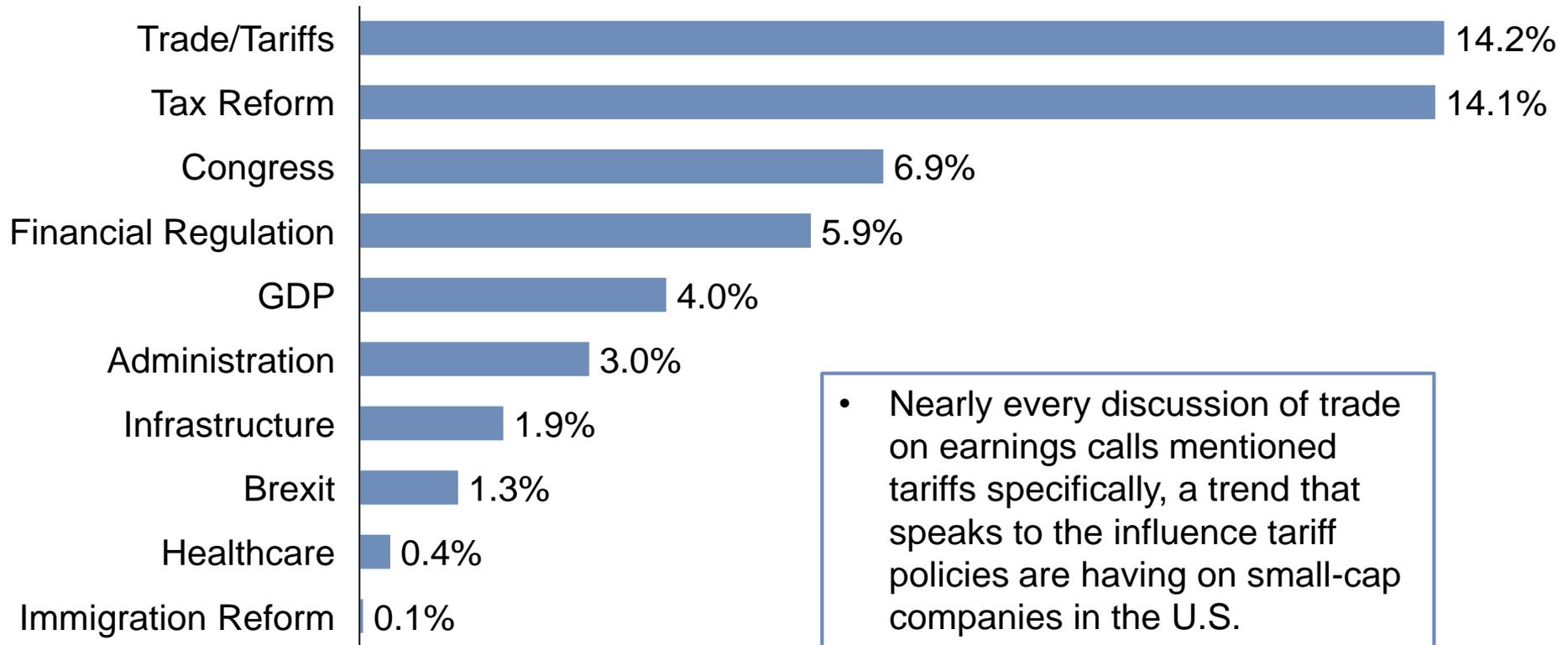
Hamilton Place Strategies (HPS) analyzed quarterly earnings call transcripts of U.S. public companies to identify key issues influencing the business community's decision making. This report contains analysis of Q2 earnings call transcripts of U.S. domiciled companies listed on the Russell 2000 index. The calls included in this analysis took place from July-September 2018.

Key Findings:

- Almost a year after tax reform dominated the policy landscape, mentions of tax reform on earnings calls remain high. However, **mentions of trade policy surpassed mentions of tax reform in Q2.**
- **Industrial companies mentioned trade more frequently than companies in any other U.S. sector.** Of all the conversations happening around trade, mentions by industrial companies made up approximately one-third.
 - Of all trade topics, tariffs were mentioned most frequently, followed by China.
- As the March deadline for Brexit approaches, **more than 20 companies discussed Brexit on Q2 earnings calls.** Conversely, despite the fact that midterm elections are around the corner, conversations about midterms were few and far between, consistent with HPS analyses in previous quarters.

On Russell 2000 Q2 2018 Earnings Calls, Trade Dominated Policy Conversations

Percent Of Q2 '18 Calls Mentioning Select Policy Topics

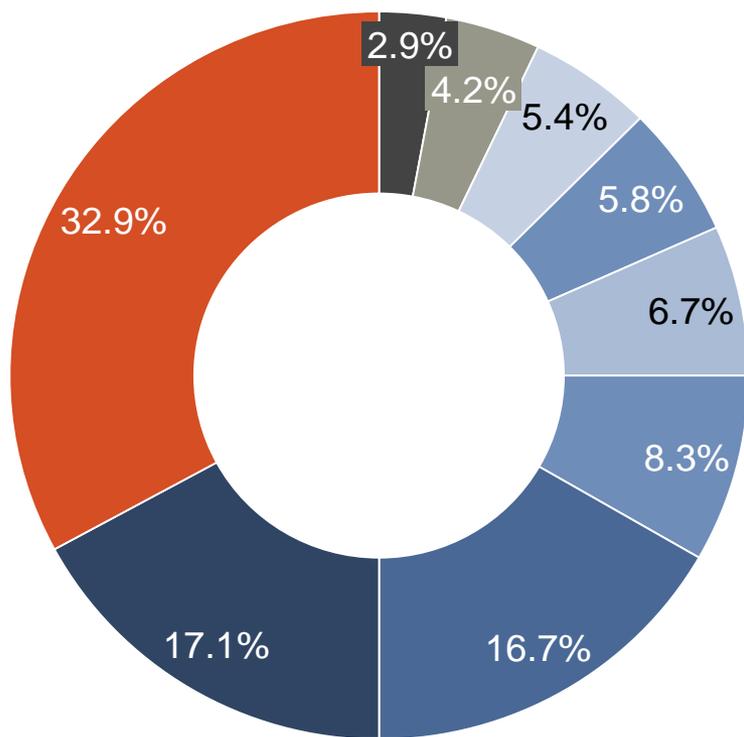


Source: Bloomberg, HPS

Note: Categories are not mutually exclusive.

One-Third Of The Companies That Discussed Trade On Earnings Calls Were Industrial Companies

Russell 2000 Companies Discussing Trade on Q2 Earnings Calls Broken Down By Sector

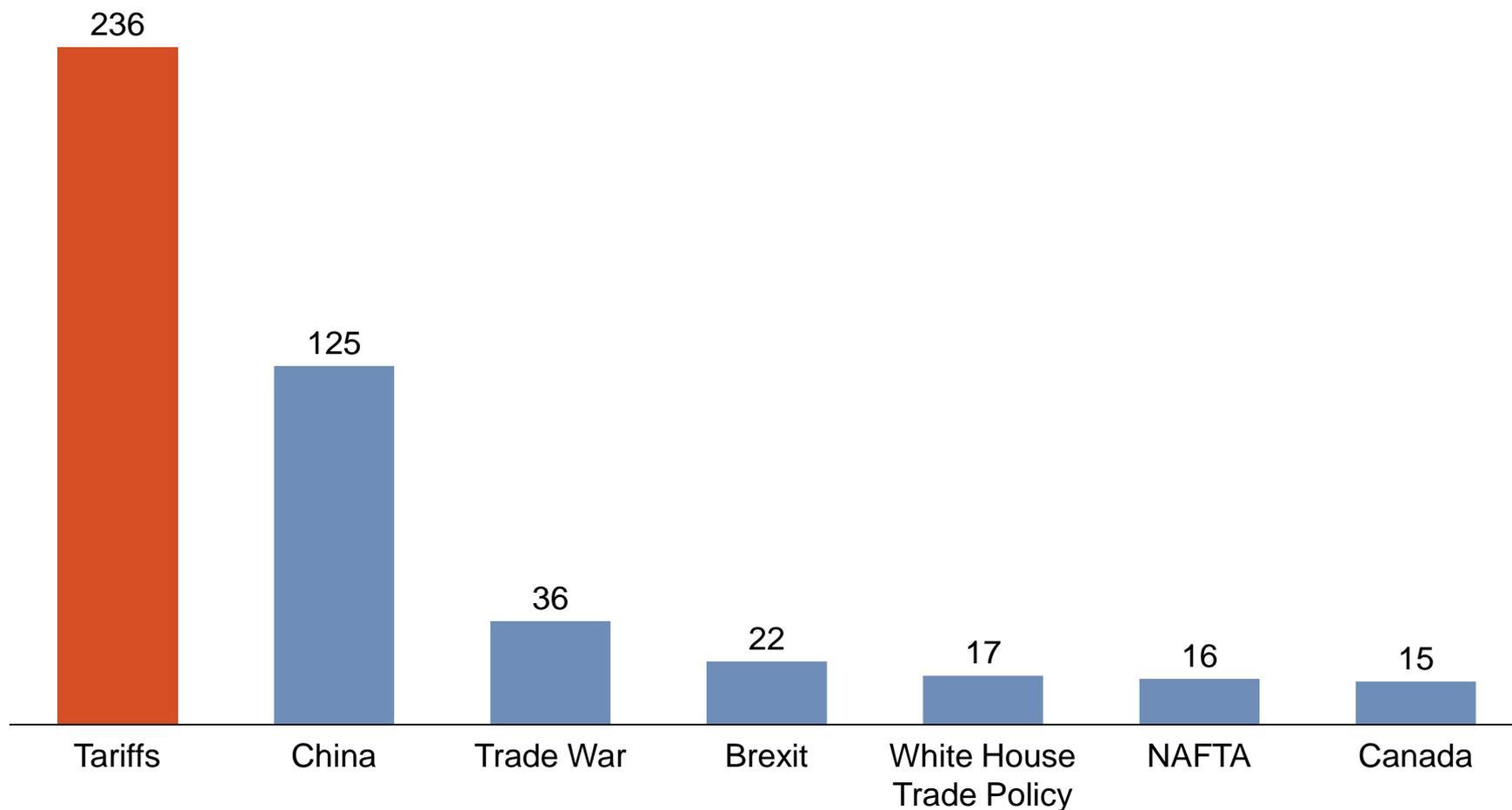


- The conversation on trade was dominated by industrial companies. This sector's share of the conversation on trade policy was nearly 33 percent.
- Consumer staples, utilities, and real estate companies spoke the least on trade, making up less than 2.5 percent of the conversation respectively.



On Q2 2018 Earnings Calls, Companies Mentioned Tariffs More Than All Other Trade Topics Combined

Number Of Calls Mentioning Select Trade Topics, July – September 2018



Source: Bloomberg, HPS

Note: Categories are not mutually exclusive.

Company's Concerns Over The Administration's Trade Policies Continue To Vary By Sector And Exposure



Pollution Control Company Based In Cincinnati, OH

"Increasing tariffs in the so-called trade wars tend to have multiple direct and indirect effects on our markets and supply chain. And while our business model tends to offset such increases in the spot markets with simultaneous price increases on most of our offerings, **the combined effect can alter end-market demand and confidence.**

Fortunately, we have broad industry exposure, so we don't have to worry much about picking the winners and losers... **Like many other companies, we're watching how this plays out and we're all on the same boat.**"

– Dennis Sadlowski, CEO



Tire Manufacturer Based In Quincy, IL

"Where my complaint would be with the tariffs that have been put in place as **you're putting these taxes on American companies that are taking raw materials and converting them into finished goods** and you're not putting any tariffs on the finished goods that come in from overseas."

– Paul George Reitz, CEO



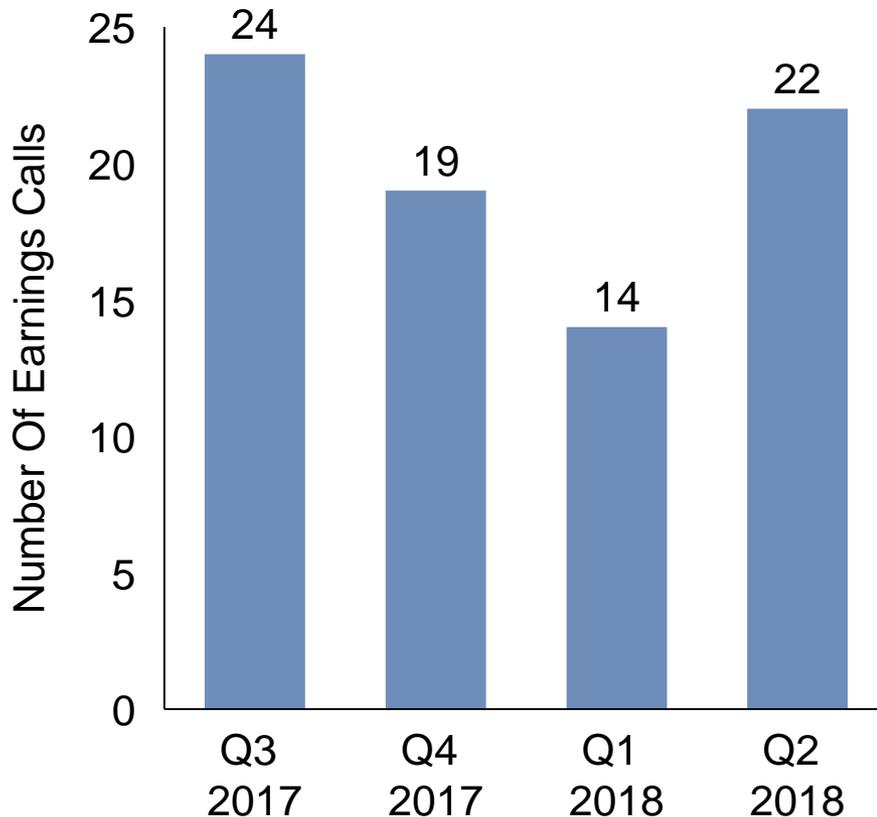
Iron Ore Producer Based In Cleveland, OH

"I appreciate what President Trump did as far as supporting trade... So, we are not at any risk of problems downstream. The logic will prevail at the end. **We will continue to be geared toward more and more production in America.**"

– Lourenco Goncalves, CEO

Companies Continue To Discuss Brexit As Deadline Approaches For UK to Leave EU

Brexit Mentions By Quarter



By The Numbers

40%

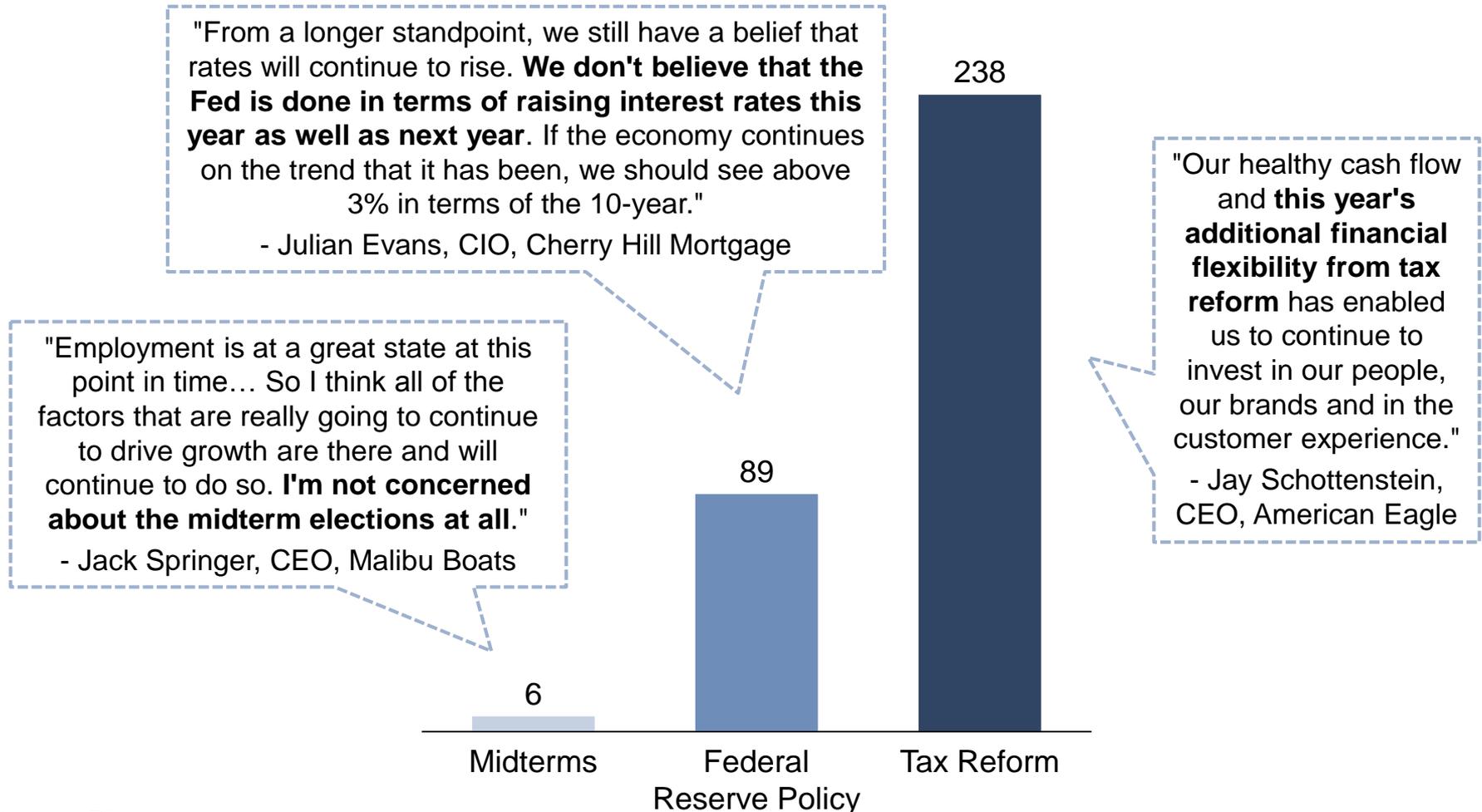
Of earnings calls that mention Brexit, 40 percent of companies are in the **Industrials** sector, followed by the **Financials** (27 percent) and **Information Technology** (18 percent) sectors

79 firms

Over the past 12 months, only 79 firms in the Russell 2000 have mentioned Brexit

Despite Upcoming Midterm Elections, More Companies Discussed Fed Policy Or Tax Reform In Q2

Number Of Calls Mentioning Select Policy Topics, July – September 2018



Glossary

- **Energy Sector:** The Energy Sector comprises companies engaged in exploration & production, refining & marketing, and storage & transportation of oil & gas and coal & consumable fuels. It also includes companies that offer oil & gas equipment and services.
- **Materials Sector:** The Materials Sector includes companies that manufacture chemicals, construction materials, glass, paper, forest products and related packaging products, and metals, minerals and mining companies, including producers of steel.
- **Industrials Sector:** The Industrials Sector includes manufacturers and distributors of capital goods such as aerospace & defense, building products, electrical equipment and machinery and companies that offer construction & engineering services. It also includes providers of commercial & professional services including printing, environmental and facilities services, office services & supplies, security & alarm services, human resource & employment services, research & consulting services. It also includes companies that provide transportation services.
- **Consumer Discretionary Sector:** The Consumer Discretionary Sector encompasses those businesses that tend to be the most sensitive to economic cycles. Its manufacturing segment includes automotive, household durable goods, leisure equipment and textiles & apparel. The services segment includes hotels, restaurants and other leisure facilities, media production and services, and consumer retailing and services.
- **Consumer Staples Sector:** The Consumer Staples Sector comprises companies whose businesses are less sensitive to economic cycles. It includes manufacturers and distributors of food, beverages and tobacco and producers of non-durable household goods and personal products. It also includes food & drug retailing companies as well as hypermarkets and consumer super centers.

Glossary Cont.

- **Health Care Sector:** The Health Care Sector includes health care providers & services, companies that manufacture and distribute health care equipment & supplies, and health care technology companies. It also includes companies involved in the research, development, production and marketing of pharmaceuticals and biotechnology products.
- **Financials Sector:** The Financials Sector contains companies involved in banking, thrifts & mortgage finance, specialized finance, consumer finance, asset management and custody banks, investment banking and brokerage and insurance. It also includes Financial Exchanges & Data and Mortgage REITs.
- **Information Technology Sector:** The Information Technology Sector comprises companies that offer software and information technology services, manufacturers and distributors of technology hardware & equipment such as communications equipment, cellular phones, computers & peripherals, electronic equipment and related instruments, and semiconductors.
- **Telecommunication Services Sector:** The Telecommunication Services Sector contains companies that provide communications services primarily through a fixed-line, cellular or wireless, high bandwidth and/or fiber optic cable network.
- **Utilities Sector:** The Utilities Sector comprises utility companies such as electric, gas and water utilities. It also includes independent power producers & energy traders and companies that engage in generation and distribution of electricity using renewable sources.
- **Real Estate Sector:** The Real Estate Sector contains companies engaged in real estate development and operation. It also includes companies offering real estate related services and Equity Real Estate Investment Trusts (REITs).