



Earnings Call Transcripts Analysis, Q4 2018

April 2019

Executive Summary

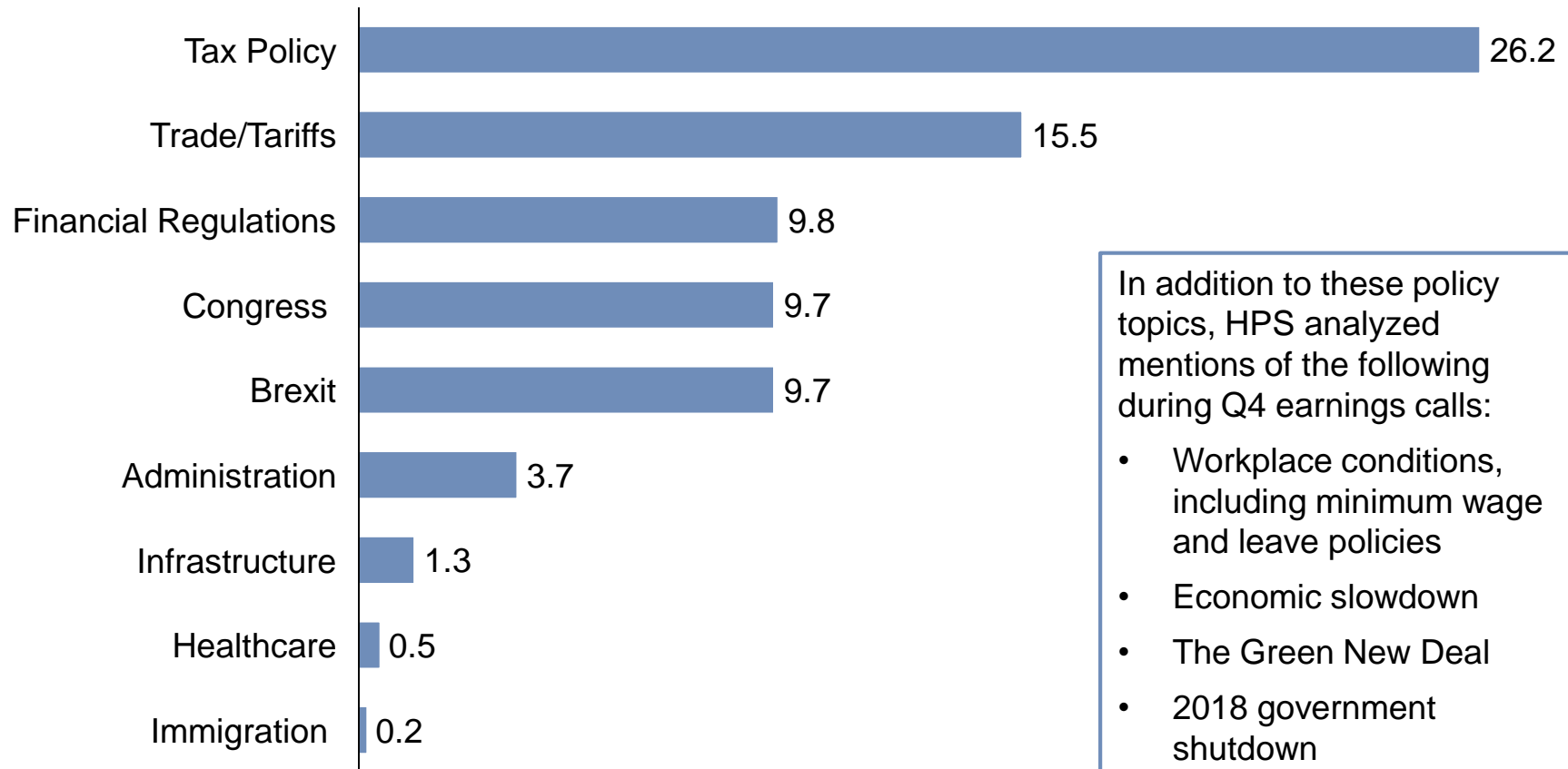
Hamilton Place Strategies (HPS) analyzed quarterly earnings call transcripts of U.S. public companies to identify key issues influencing the business community's decision making. This report contains our analysis of Q4 earnings call transcripts of U.S. domiciled companies listed on the Russell 3000 index. The calls included in this analysis took place from January-March 2019.

Key Findings:

- Mentions of trade policy on Q4 earnings calls decreased to 15 percent – a difference of four percentage points from Q3 earnings calls numbers.
- Mentions of Brexit rose steeply on Q4 2018 earnings calls. Only 3.5 percent of Q3 earnings calls discussed Brexit, but that number jumped to 9.8 percent in Q4.
- While only 43 calls mentioned workplace conditions, half of these companies are providers of consumer discretionary goods and services.

Tax Policy And Trade Headlined Policy Conversations On Russell 3000 Companies' Q4 2018 Earnings Calls

Percent Of Total Q4 '18 Calls Mentioning Select Policy Topics



In addition to these policy topics, HPS analyzed mentions of the following during Q4 earnings calls:

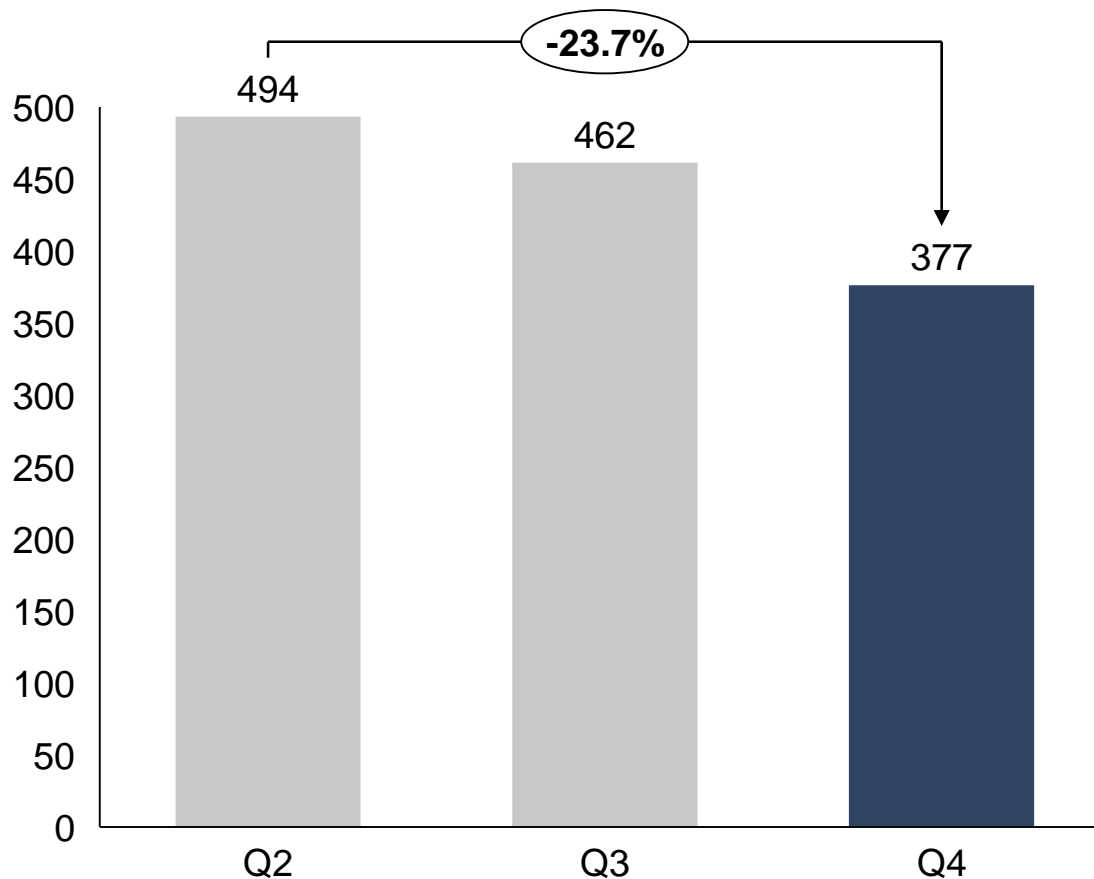
- Workplace conditions, including minimum wage and leave policies
- Economic slowdown
- The Green New Deal
- 2018 government shutdown

Source: Bloomberg, HPS

Note: Categories are not mutually exclusive.

Despite Continued Uncertainty Around A U.S.-China Trade War, Fewer Companies Discussed Trade In Q4

Russell 3000 Companies Discussing Trade On Earnings Calls By Financial Quarter

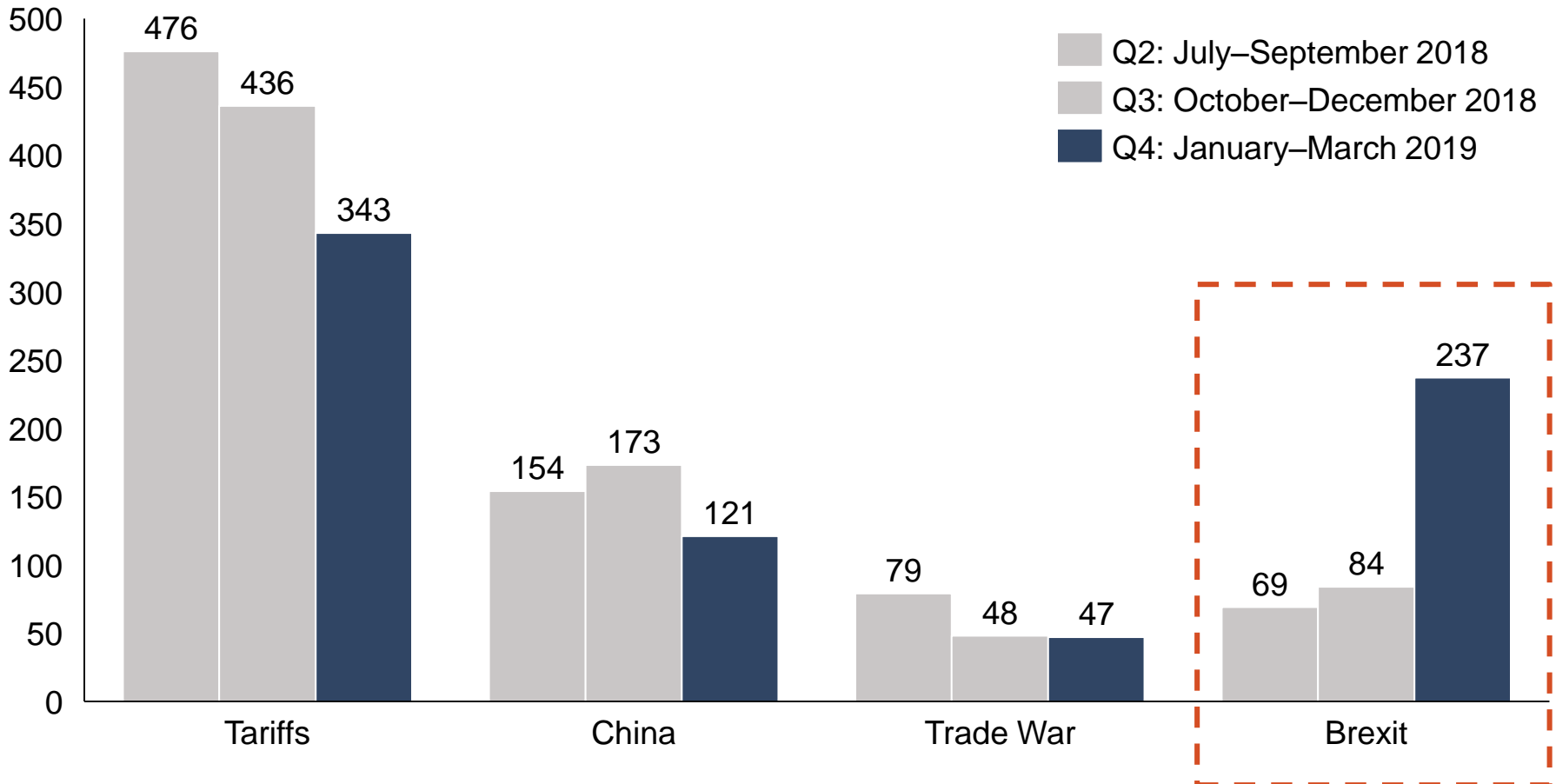


Talk of trade among Russell 3000 companies has decreased 23.7 percent since Q2 2018 earnings calls.

- Between Q2 and Q3 2018 earnings calls, discussion of trade decreased by 6.5 percent.
- Between Q3 and Q4 2018 earnings calls, discussion of trade decreased by 18.4 percent, indicating that the rate at which trade talk is decreasing is accelerating.

Overall Mentions Of Tariffs Continued To Dip, While Mentions Of Brexit Rose Steeply In Q4 Calls

Number Of Calls Mentioning Select Trade Topics

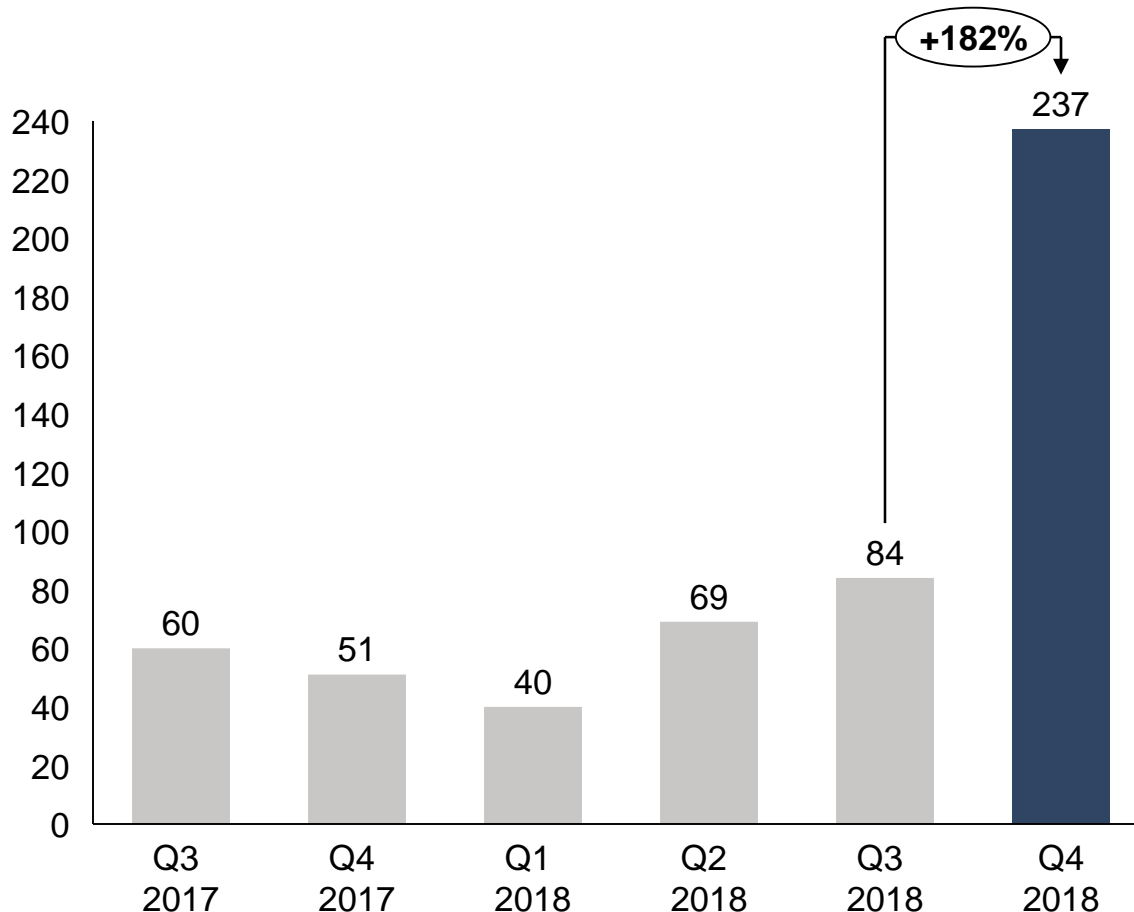


Source: Bloomberg, HPS

Note: Categories are not mutually exclusive.

Mentions Of Brexit In Q4 Continued To Climb As Brexit Deadline Approaches

Number Of Earnings Calls Mentioning Brexit, By Quarter



Mentions of Brexit spiked on Q4 2018 earnings calls.

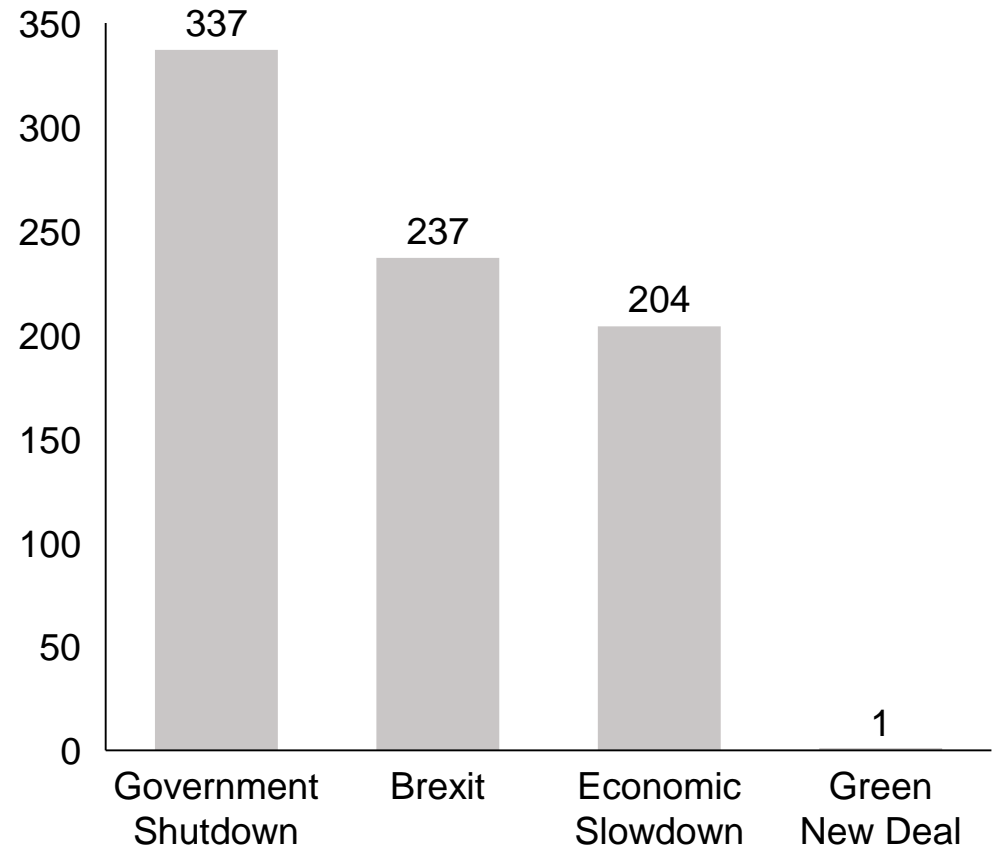
- **Sectors:** Monthly growth in the UK contracted in December 2018, the first time since September 2012 that services, production, and construction all fell during one month
- **GDP:** During Q4, the British economy grew by 0.2 percent. In December 2018, it contracted by -0.4 percent.
- **Looking Ahead:** As companies begin Q1 2019 earnings calls, the April 12 decision deadline is looming.

Many Companies Discussed Headline News On Q4 Earnings Calls

More companies talked about the 2018 government shutdown than they did Brexit, but nearly the same number of companies discussed economic slowdown as they did Brexit.

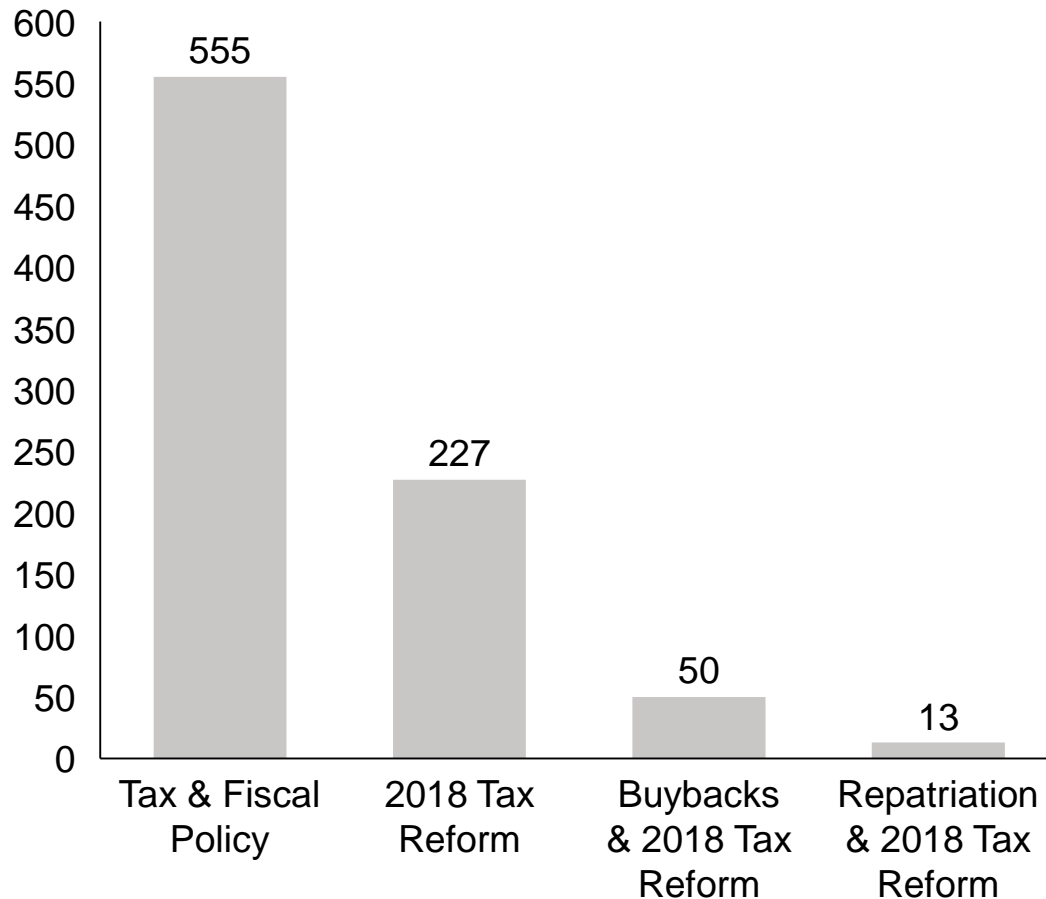
Our analysis finds that companies tend to stay away from political topics in favor of policy topics. For example, this quarter saw only one reference to the nascent Green New Deal despite more than 100 news media hits during the quarter.

Number Of Earnings Calls Mentioning Select Political/Policy Topics



While Many Discussed Tax & Fiscal Policy, One In 10 Calls Specifically Mentioned 2018 Tax Reform

Number Of Earnings Calls Mentioning Select Tax Topics



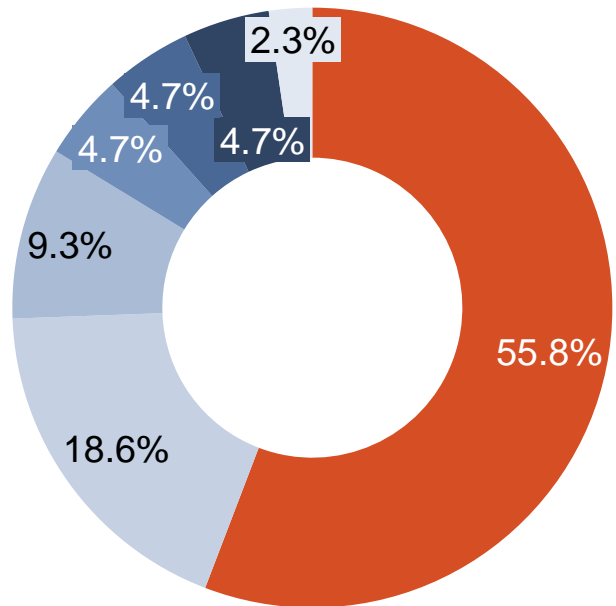
Half as many calls talked about the 2018 GOP Tax Cuts & Jobs Act compared to tax and fiscal policy.

Highlights:

- Notably, while buybacks were discussed on 504 earnings calls, only 50 of these (9.9 percent) were within context of 2018 tax reform.
- Companies did *not* discuss border-adjusted tax, interest deductibility, 100 percent expensing, or destination-based taxes alongside the 2018 tax plan.

Consumer Discretionary Goods Companies Discussed Work Conditions More Than Other Industries

Conversation On Work Conditions By Industry



- Consumer Discretionary
- Health Care
- Real Estate
- Information Technology
- Financials
- Consumer Staples
- Industrials

Of the 43 companies that discussed work conditions on earnings calls, over half are providers of consumer discretionary goods and services.

This topic breakdown tracked mentions of paid family and medical leave, parental leave, and minimum wage.



*Hotel, Resort, Entertainment, & Media Company
Based In Nashville, TN*

"...when Disney announces it's going to \$15 an hour minimum wage, we can't stick our head in the sand. We have to deal with it. And that's what we're doing."

- Colin V. Reed, Ryman Hospitality, 2/26/19

Glossary

- **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, textiles, and 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 and drug retailing companies as well as hypermarkets and consumer super centers.
- **Energy Sector:** The Energy Sector comprises companies engaged in exploration and production, refining and marketing, and storage and transportation of oil, gas, coal, and consumable fuels. It also includes companies that offer oil and gas equipment and services.
- **Financials Sector:** The Financials Sector contains companies involved in banking, thrifts and 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.
- **Health Care Sector:** The Health Care Sector includes health care providers and services, companies that manufacture and distribute health care equipment and supplies, and health care technology companies. It also includes companies involved in the research, development, production and marketing of pharmaceuticals and biotechnology products.

Glossary Cont.

- **Industrials Sector:** The Industrials Sector includes manufacturers and distributors of capital goods such as aerospace and defense, building products, electrical equipment and machinery, and companies that offer construction and engineering services. It also includes providers of commercial and professional services including printing, environmental and facilities services, office services and supplies, security and alarm services, human resource and employment services, and research and consulting services. It also includes companies that provide transportation services.
- **Information Technology Sector:** The Information Technology Sector comprises companies that offer software and information technology services, manufacturers and distributors of technology hardware and equipment such as communications equipment, cellular phones, computers and peripherals, electronic equipment and related instruments, and semiconductors.
- **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.
- **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).
- **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 and energy traders, and companies that engage in generation and distribution of electricity using renewable sources.