Christine Short of Wall Street Horizon Joins Us to Discuss All Things Earnings Calls

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Dave

0:00

All right, folks, welcome to Investing for Beginners Podcast. Today we have a very special guest. We have Christine short, who is the VP of research at Wall Street Horizon. She's here to talk to us about earnings and earnings calls and kind of peel the onion on earnings. So this is going to be a fun conversation.

So Christine, thank you very much for joining us today. And I guess maybe could you give us a brief synopsis of you know who you are, how you got here and what you wanted to be when you grew up?

Christine

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Well, thank you so much for that intro. And thanks for having me. My name is Christine short, like you mentioned right now I'm VP of research data company called Wall Street horizon. I have been dealing with earnings for the better part of 15 years. I originally started out at Thomson Reuters as their equivalent of an equity analyst. My covered retail specifically for many years, did the same over at Standard and Poor's.

And then I, you know, got into the FinTech bug here in New York, which sort of started to develop after the financial crisis, I joined a small company called estimize, that specifically focused on crowdsourcing earnings estimates, not just from the sell side who we are used to getting estimates from, but also by side and nonprofessionals. And I've been in financial data ever since at smaller companies, you know, rolling into my role now, where I research to me just in my current role means looking at a lot of data, we cover specifically at Wall Street, rising corporate event data, looking at data, trying to make sense of it and kind of building a story around what it means for companies and sectors in the economy. So it's not quite the same as what I was doing as an analyst, but it's kind of taking data and pulling it up into the big picture. What did I want to be growing up?

Great question. I don't know about growing up. But in college, I was a journalism and International Relations major. So I did fancy that I'd be like Christiane on poor tight but and I did end up at Reuters. And I think maybe that was the path I thought I was going but instead of doing kind of foreign relations, I ended up in the proprietary research, like econ group. And so I found that I was really interested in a world's economies and stocks. And that was very surprising to me, because I was never one for math or anything like that. But you know, it's interesting, where you end up and the things you discover you like that you didn't think you did?

Dave

2:20

Yeah, for sure. Yeah. That's a very interesting background. So I guess maybe let's start with this. You mentioned buy side and sell side? Can we kind of chat about that for a second? Maybe. So for people that aren't familiar with what those terms are in relations to earnings and stocks and companies? Maybe we could kind of dive into that a little bit?

Christine

2:39

Absolutely, yeah. Two sides of the house, right. So when you hear sell side, that's usually what you see the media referring to buy, sell, hold and target prices. And when a company meets or beats earnings, it's in reflection of what the sell side is putting out. So sell side, their investment managers are they work at banks, brokerages, and they are putting out research that is really for public consumption, you know, for their institutional clients. But as I pointed out, it makes it out into the media.

And they're doing everything from reading the 10 ks and the 10. Q's, having conversations with management, really intimately knowing companies and sharing that information with their clients. Whereas the buy side and buy side analysts would typically work for an investment manager of a hedge fund, a pension fund, and they are producing research for the benefit of the house, right for their company. It's internal, you're never going to hear about, you know, by side estimates, it's all for their internal money managers to use make money on. So both are doing essentially the same research. It's just about, you know, who's seeing that research and

Andrew

3:46

who benefits from it. So in another way, you could say, the sell side is selling research. And the buy side is buying stocks based on research.

Christine

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Right, it's right in the name, right.

Andrew

4:02

So now, can you give a overview of earnings? Sometimes, you know, as investors first starting out, we might hear headlines about earnings here the media report about earnings, but maybe we don't know exactly what that means. So can you explain that to a beginning investor? What is our needs? Why, you know, what makes companies do it? Things like that?

Christine

4:26

Yeah. So companies, let me just kind of talk about the earnings season. And you know, when it happens, and you mentioned, people are likely to see the headlines. And so earnings season happens quarterly. typically think of it as this like really dense six week period where most of the large US companies are reporting really it can boil down even into three peak weeks is how we talked about it.

We're in about 80% of the s&p 500, which are the largest companies are reporting their results and again, you might See a flash of a headline but not understand that this is all going on and what it means when they report earnings. So, earnings, that's their, you know, a company's profits and one of the numbers that you really need to look out for earnings per share and revenues. And those are the two headline numbers, the top line and the bottom line number.

And that's again, what you will see headlines that will be the beginning bullet points of any press release in what it means is, you know, earnings, how much were they able to generate and profit in revenues is a number that I tend to focus a little more on because it cannot be manipulated as much as earnings per share. But that's the sales that they brought in. So just straight for the total

Andrew

5:41

for the quarter. Makes sense? Is there, I guess for the long term investor? What part of all of that? Do you see as something that's important to think about?

Christine

5:54

Yeah, obviously, when you're deciding on what companies to invest in, you want to know, are they growing, what parts of their business are growing? I think it's important to pay attention to earnings season once you need to know that it's happening, especially if you're considering investing in a company. And also, if you've already invested, using it as validation that your investment thesis was correct if in fact, it was I there's a couple caveats here, even though I like I said, I'm always looking at the top and bottom line, numbers.

Earnings per share, again, is a metric that can easily be manipulated. So we're looking at, like I said, the company's total profit divided by their shares outstanding. And again, you get to that bottom line figure by you know, taking revenues minus all expenses, that gives you net income, then you subtract preferred dividends, because holders of preferred stock, have contractual rights to those payouts.

So that number is then divided by shares outstanding. And again, that's the number of common stock that a company's issued to investors, to employees to company executives, and so on. It's important to follow this number, however, know that there are things that companies do to either inflate the numerator, so the earnings number or deflate that denominator. So what I mean by that is the earnings number, there is a way to report it that follows accounting standards, that's called GAAP. And those are the generally accepted accounting principles.

And when you file here in the US, you must follow that standardized set of principles. But companies are also allowed to display their own accounting figures. And they just have to disclose that as the non GAAP number and provide a reconciliation between what they're adjusting and what the regular results are. A lot of times what companies will do is takeout one time charges, or would they consider one time charges from that earnings number? And say, Well, you know, the GAAP numbers not really representative of, you know, it's not apples to apples from this quarter this quarter, because we had this one time restructuring charge or, you know, this pension payout, or whatnot.

So if you really want to understand the ongoing business, you need to look at our adjusted number. When you start to follow these for some time, you'll start to notice there are companies that have the same one time figures over and over and it becomes a bit of a game, it's like, well, now is this part of the business? Or is it not because I've seen this one time adjustment for four quarters. Now, again, it's not like they're doing anything out of the scope of like legality here, but it is something that they may do to inflate that earnings number. Now on the denominator, the shares outstanding companies can buy back stocks.

I know you talk about that a lot on the show, no buybacks can be good for investors, but it also makes the denominator lower. So that makes the earnings per share number look better, better earnings per share number means higher stock price. And so again, when you're reading this, it's important to remember to take some of the results with a grain of salt. And you need to really understand the company first, but certainly just looking at an EPS number, I would never just make the decision to invest based on one thing now, revenues I take a little more seriously, right?

There's no accounting magic you can do to change that number sales or sales, and I can look back and I can compare year over year, quarter over quarter and see are they growing? Or are they not? So if I'm going to, you know, look at those media reports and look at that headline, I'm going to my eyes are probably going to go to the revenue number before the earnings per share number. While understanding that I need to understand both.

Dave

9:33

Yeah, that makes a lot of sense. And I think one thing that people probably maybe don't understand or don't realize is when these when companies put out the earnings reports. They're always going to try to angle everything to show the company in the best light and I think that kind of goes to what you were saying about the earnings and the adjustments that they make. I I was working at a company the other day I won't name it but I think they literally had 19 adjustments to their earnings at the end, it can get a little convoluted, I think sometimes people need to realize that there's a bit of a game that goes on with this. And I think you kind of alluded to that earlier.

Christine

10:11

Yeah. And when you, you know, I read a lot of these press releases, and of course, they open up with their, you know, 10 bullet points, what they call the highlights of the quarter. But I gotta remember, they're probably not going to highlight the negative points, right, the top things I'm reading are all very positive. And there's a lot of different ways to adjust numbers. And so you're gonna see some of that in there, you really got to dig in deep to figure out, you know,

Okay, where were the cones this quarter. And again, I also will notice, again, if you follow company long enough, it's like, oh, they always put their same store sales number. And that's figure we can talk about for retail, they always put that in the bullet points, but it's not in there this quarter. And then I gotta dig a little bit. And so not every company, some are more transparent than others. But some will try to hide some of that within the press release, or within, you know, the 10 Q. And you can also follow up by listening to the call after the release goes out, and analysts will get right to that. But you're right, you gotta be aware of the adjustments in the ways that management can use language in different ways to make it sound a little more upbeat than it really was.

Dave

11:20

Yeah, I would agree with that. Can we continue down that path and maybe talk about what should people look for when they look at earnings reports, you know, Andrew, and I have a little more experienced, but let's say some of our listeners that don't, it could probably be a little bit overwhelming to look at an earnings report, or the earnings calls. And I don't even know what to look for. All these numbers and jargon, they just stay uh, what are some highlights or some key things like you mentioned revenue, like beyond revenue, what are some other things that you would want to look for?

Christine

11:49

Well, you know, and I know you guys have gone and like, fully analyzed a 10 Q, which is, I mean, overwhelming for people that are even used to it, right, because those can be over 100 pages. So just starting from me, at the investor relations page for a company and pulling up their press release, which is much shorter, more digestible. Sometimes there's nice graphics, sometimes they post a deck. Again, I just really start on the first page with the highlights,

I try to figure out what's important to the company, that's typically what they're highlighting at the top there, they'll then go into a little bit of a, you know, the CEO talking about current conditions and how they did for the quarter. And again, it depends on the CEO, some are very transparent. Others are, you know, trying to make up excuses. And you know, again, notice this, or why they didn't hit certain numbers or paint a bit of a rosier picture.

But beyond those headline numbers, and some of the other numbers share for the quarter. I also try to keep in mind, these are all backwards looking, right? We're getting information for last quarter, is that what I'm investing in? No, I'm investing in the future of this company. So where I want to keep the history, you know, top of mind, I do want to see what for guidance going forward? How do they talk about it? Are they giving the actual figures? Are they saying, you know, we think revenues are going to be between, you know, they usually give a range between this and this next year, next quarter? Or are they being a little more vague and holding back.

So I would go right to the outlook. And I know, you've talked about loving Ctrl F and I'm totally with you there because I'm just Ctrl F ing, after I read the first first paragraph, and I'm looking for the Outlook, you know, sometimes they call it guidance, it's usually out, you know, usually you can control F outlook and find it somewhere in there. And again, you're going to find more information from quarter to quarter than depending on the company, depending on the quarter. But I want to see what the outlook is what figures they're sharing.

They're not only about their business, but about the sector or industry that they operate in what what's the outlook there? What about the economy, and I think this last quarter, so we just finished reports for the third quarter of the year. So those were July, August, September, that period, which we saw report, during October and November. We saw like 40% of management mention recession, the R word. We're all nervous about it, right? That was a high, you know, the quarter before two quarters before you maybe saw 10% of CEOs mentioning this.

So I want to see, is there any insight on the overall economy? And again, they don't always say they don't always give their view on that. So to see 40% of CEOs mentioning recession, yeah, it has everyone kind of on the edge of their seat, right? Like these are people that are in it, and they know what they're talking about. And they're managing fortune 500 companies. So when I say 40% By the way, I'm talking about the s&p 500, which are the 500 largest companies.

So I go right to that outlook because I want to understand their prospects going Forward competition and their outlook for the overall economy and how that compares to what maybe they've said in previous notes, you know, are they adjusting their guidance up or down? You never want to see him adjusting guidance down because they're already pretty conservative. Right? So if they have to go a bit lower, you know, like, they know their numbers better than anyone, why are they adjusting down? What's changed? And then I want to see historically, are they growing at a fast clip?

Are they is that growth decelerating? And so I want to keep that in mind, because I want to invest in companies that are growing and have a healthy growth rate going forward?

Andrew

15:40

Those are all fantastic things to look at. Can you give an example you hinted on the wholesale store sales? So can you give an example of a company that reports that and maybe an example of where it sounded like they're executing on same store sales versus maybe another company who wasn't? And how you would distinguish the two with an example?

Christine

16:04

Yeah, so I mentioned, I used to cover retail, same store sales is one of the main figures you want to look at for retailers, it looks at the amount of sales growth that's attributable to stores that have been open over a year. So kind of differentiate newer stores from stores that have been open for more than a year. And the difference in, you know, revenue generated by that retail chains, existing outlets over whatever the certain period is usually, quarterly or monthly.

So actually, when I, you know, 1015 years ago, when I was a retailer, those retailers reported this monthly. And so it was a press release that came out every month, hundreds of companies would report that way. I think there are maybe only three or so publicly traded retailers that report same store sales monthly, most now just loop it into their their quarterly earnings report. So this is a very important number for retailers. And it's usually what you see the stock trade on. So, you know, kind of another thing we can talk about is typically during earnings season, most companies will trade on their earnings per share and revenue numbers and whether they beat those expectations and whether they're growing.

But then if you go company, by company sector, by sector, there are other figures that can be more important. And so for retailers, I would say same store sales, or it's also called comparable store sales. And so examples of both well, we just got through what we call the retail earnings parade. And right now something that has emerged is, you know, discounters and bargain stores, discounters being like Walmart and then bargain, you know, even some of the dollar stores Dollar Tree Family Dollar, and I would put target in there but this quarter, they were a little different because they didn't do as well, but discounters in bargain stores like TJ Maxx or Ross Stores or Burlington Coat Factory, not to say all of those did well, but in the current economy, where a large portion of consumers are starting to trade down because of inflation, because they're getting a little jittery about a recession, those names 10, you know, are doing well, there's a few caveats to that one, as you know, unemployment is still quite low 3.7%.

Historically, the way consumer spend is most closely tied to how they feel about their job situation, do they feel, you know, comfortable that they will have a job in the next, you know, six to 12 months, and I think most people do feel that way, despite, you know, a lot of layoffs in certain sectors of the economy like tech, but middle income folks are trading down to those names. So I would say same store sales looked great at the likes of like a WalMart where consumers weren't so hot to trot last quarter, or department stores which has been an ongoing story, right?

Macy's, Kohl's, JC Penney, Nordstrom, same store sales numbers are decelerating there. And again, that's kind of an old story. Those names the only kind of area where they've been able to offset is for instance, Macy's owns blue mercury, which is a high end cosmetics company. That was a bright spot for Nordstrom, actually, Nordstrom Rack did quite well for them, because that is a bargain store. So the companies that have actually diversified out of just department and have bought up some of these other companies also mentioned Macy's or Bloomingdale's.

Now, Bloomingdale's did well, because the high end consumer is still out there. So the luxury market is still strong. And so again, your your question about, you know, sensor sales, who did well, who who didn't? That's kind of there are a few examples of companies, but also sectors overall that are performing versus not performing right now. And that could change at any time. You know, a few quarters ago, we would say really all retailers were doing well, right. But now we're starting to see that that subtle switch

Andrew

20:00

so you can compare, let's say Macy's as an example, how they did same store sales a quarter ago, a year ago, two years ago versus how they're doing now. And if you see an improvement that could indicate something accelerating, you could also compare them to maybe the overall economy are other companies. And if that same store sales is kind of in line, or better or worse, and you can make a opinion on the company based on that as a starter. Yeah, you

Christine

20:31

can, for instance, with same store sales, I think Reuters still publishes like an aggregated number, like alright, on average, we followed this bot basket of 50 retailers and same store sales was up 4% in q3, and you can take a look at well, you know, I own Macy's and Macy's same store sales was actually down 2%. Okay, so overall, compared to the overall, you know, basket of retailers, that's not, that's not very good. How does it compare to other department stores? Oh, well, JC Penney's was actually out down 8%. So maybe Macy's is a is okay. In in department store worlds. But as far as retailers go, there's still retailers that are out here getting consumer dollars, and Macy's, isn't one of them.

So you can compare to the overall you can compare it to get a peer comparison, and see who's doing better than others. And maybe it's that JC Penney's really doesn't have a diversified business and Macy's has blue mercury and Bloomingdales. So that's a better place to be.

Andrew

21:32

Makes a lot of sense. Thanks for breaking that down for everybody. Are there other things maybe going past the numbers that you look for when it comes to an earnings release or an earnings call?

Christine

21:45

Yeah, like I said, I look at management commentary, which can be very hard to quantify, right? Some say more than others. Some give excuses. One joke we always have is the weather excuse, you know, everybody missed their numbers, because the weather was bad, which is a legit excuse for some companies, especially when we're in hurricane season. And you see certain places hit and like Home Depot said that last quarter in Florida, you know, and so some of that certainly is legitimate, but there are some companies giving more excuses than than others.

So I certainly look at the commentary and how does it compare with prior quarters is this company management, you know, giving me enough for they kind of being vague. And again, there's no wrong or right way to read that your reading of that commentary might be different than mine. And that's why stocks can be so volatile after earnings, right? Something that I took as like, oh, this was an okay report, other investors might latch on to like one little piece of that, right?

And take that interpret that differently. Other things I look for, again, might come down to the company or the sector that I'm looking at. So beyond same store sales, let's say I'm looking at a REIT or real estate, real estate investment trusts, well, they don't report EPS, they report funds from operations, or F fo. And that's just, you know, the figure that REITs use to define the cash flow from their operations. And so I'd be going right to FFL. And seeing how that reported social media like social media companies, they might be on the top and bottom line, but they miss a measure of engagement. So a couple of measures of engagement, are monthly active users or daily active users. How often how addicted is my user base? Are they coming back every day? Are they coming back monthly.

And so you'll see in any given quarter, there's so many pieces of metal now, obviously, but Facebook for a period of time like that one number was off, then investors were dumping it right. So they didn't feel good about it if engagement numbers weren't up, and I can think about like the streaming services, so Netflix net subscribed or additions, that was always, you know, if they didn't hit that number, and again, it's something they gave guidance on. If they didn't hit that number, then you investors weren't very happy. Interestingly enough, they recently announced they're no longer giving guidance on that number, I think they had said that there was too much of a focus, and they wanted to break up the focus on that one number.

And then again, there's company specific numbers, you know, like, if I'm looking at a Google or a meta, I'm gonna look at ad spend, or, you know, looking for companies in knowing where they get a majority of their business, what's important to them, and a lot of this does take time. So there's no one size fits all, I open a report and I go right here, again, a lot of that can be outlined right at the top, I can get a sense of what are the numbers they want to share, because Google's gonna throw their ad spending number up there in the beginning, you know, Matt is gonna throw that in the beginning. So that gives me a sense of, okay, how do I follow this report? What five metrics were their bullet points on? And how can I gain more insight as I read through this,

Dave

24:57

so I guess a question that springs to mind you been doing this for a little while, I think 15 years, it seems like recently that earnings season has had a bigger impact on swings and in prices than I've seen in my shorter time in the market. Is this something that you've seen before? Or, you know, you were talking about Netflix earlier. And when they didn't hit the number that they were, you know, being guided to it, you know, the stock dropped about 20% in one day, and I couldn't remember a company that size dropping that much. And one day is that, is this something that's newer the the wild swings in market sentiment? Is this something newer? Is this? Or is this been going on for a long time? And it's just never really been? I guess it's publicized?

Christine

25:43

Yeah. You know, one thing I track to FactSet puts a report out on this each each well, weekly, really, during earnings season, it's how much are companies getting punished for missing estimates? And how much are they getting rewarded for beating estimates? And that seems to has have changed even just over the last few quarters, we're now seeing companies get punished much more for missing than they are getting rewarded for beating. So you're right to point that out. And, you know, I think one of the reasons is that a majority of companies always be right. So that's not really exciting news to anyone that follows earnings.

You know, every quarter, we say, Oh, 75% of companies beat their expectations. Let me kind of break down what that means a bit, because there's two estimates, right, the company provides guidance. But that's not really when we say they beat expectations. That's usually not what the media means they're talking about those sell side estimates. So we talked about those sell side analysts that research the companies and talk to management and get a good idea of how they're going to perform. They have an estimate. And then all of those estimates are aggregated up. So for example, let's keep talking about meta, for example, meta might have 30, sell side analysts covering their stock, they all have different expectations for earnings per share for revenues. Those are again, the two main numbers that that you would see estimates for, and then a service like a Thomson Reuters, like s&p effects that will aggregate those up and say, okay, overall, those 30 analysts on average are expecting this number. And they have every all of these providers have their own methodology, they might say, Okay, we're gonna pull out like, this cost. And this is how we determine our aggregated earnings per share number.

And so then, you know, once a company reports, that's what everyone wants to know, Well, did they beat that number from the sell side analysts? Did they need it? Did they miss it? But on average, every quarter something like 75 80% of companies end up beating? Well, why is that? Well, for one, the company guidance that they issued, was very conservative. They sandbag that's called sandbagging, right. They know what they're going to earn.

And they want to under promise and over deliver, because it benefits their stock, they get up top and their stock price, if they say we beat so how does that trickle down into the sell side estimates? Well, the sell side kind of just looks at the corporate guidance, and typically keeps their own estimate pretty close to that, right? Because their incentive is not necessarily to be right, they don't really get paid for that their incentive is corporate access, both for themselves and their clients.

So what I mean by that is, if I'm covering Netflix, I'm an analyst that covers Netflix, I want them to pick up my phone call, you know, I want them to answer my question on the earnings call, I want to get invited to analyst events. And so I want to keep my access open. If Netflix is telling me they're going to earn 50 cents a share next quarter, and I say, Oh, I actually it's going to be at and they miss this that the other thing that might not make Netflix very happy. So I'm going to kind of take the guidance they've given I'm gonna maybe take it up a little ticket down a little bit, I'm not going to go way off of the information that they've provided.

I think the other way they provide corporate access is to their clients. I think I read somewhere like a third of analysts compensation is tied to the access, they provide their institutional clients. So if I have a client that wants to do business with a company I cover or just wants to get on the phone with them, I can be the middleman there and you know, again, the company I cover is less likely to give my client that access if I've been someone that's gone rogue and, and there are always these analysts that do are the major contrarians, right?

But for the most part, most analysts are kind of around the same numbers when they when they give their estimates. And that's the other reason you see now we talked about the sell side are the ones that give you the Buy Sell hold information. Well, it's something like 6% of current Buy, Sell holds right now or sell So of the ratings of the something like 11,000, analyst ratings that are current right now, only 6%, ourselves, and you could say they're just like a very optimistic group. And some of that could be true. But you just very rarely see a sell on a company.

That's why I like, avoid a company that has a sell, because it's very rare. So, you know, now I'm forgetting how we got into this. But again, I went on a tangent about guidance and estimates. But again, anytime you read the headline about what they beat, or what they miss, Oh, you were asking Dave about? Are there more companies getting like these huge swings in relation to what they report and it's true. And I think people are learning this game, if you beat by a penny, it's not really a big deal, because you're just really coming in in line. So I always think of it relatively if 75% of companies are always beating estimates, well, that's if a quarter comes in and only, you know, 73 of beat estimates.

That sounds good. Right? 73 that's passing. But I know, historically, that's actually quite a bad quarter, we kind of had that last quarter, we only had beat rate was about average for the tenure, you know, historical beat, right? So then I know not not such a great quarter. And so I think folks are being included in a bit about this beating and missing. And that's why you might see these wild swings.

So when Netflix does miss, well, they're not supposed to miss right? Because the company guided and so and they were able to, you know, manufacture that a bit. So if they missed that, well, that must be really bad. So I think that's why your seems to be happening more and more specifically, this year,

Andrew

31:41

does make those headlines seem pretty silly. When you put it in that perspective? Hey, it's

Christine

31:45

something to talk about. Everyone wants to hear either really good news or really bad news. Right. And that's why I actually think earnings season has had a greater focus this year, because things have been bad, right? You know, we're oh, we're headed towards a recession. We're in a bear market. The last time I remember things being this exciting was during, you know, 2007 when everyone had their eyeballs.

I mean, if you look at the network numbers, you know, this is when CNBC shines this is when people are reading their Wall Street Journal's because they're nervous when we were in that 10 year bull market, who cares? You can do no wrong, right? Like, just put the money in and don't think about it because everything's good. But when people get nervous, like they have this year, you do see more of a focus, I think on earnings, I thought

Andrew

32:30

that data point you gave about 75% of companies beating is kind of eye opening, because I would have thought the number was a lot lower. Yeah, this is like a very selfish question. But do you know if there's additional research around that to say these certain type of companies tend to be more than others? Like, are there correlations in the data around that?

Christine

32:52

Yeah, I mean, I cited FactSet before because I read their their weekly earnings. I mean, they do all of this, and I'm sure they've done the analysis of Yes, sectors that tend to be more than others. And honestly, that 75% number might even be low, I think it's like 76, or 78. So it is a very high number. And there are, you know, companies that break this down, if you're interested in that, I would check out fax that analyst named by the name of John butters, who I used to work with actually, who covers earnings and knows this space very well, has probably done the breakdown of sectors. And you could know it would be interesting to see like who is sandbagging the most like who's always beating because that's suspicious to me.

Dave

33:32

Oh, that I guess that brings up a good question, then resources. So you mentioned FactSet. What are some other resources that people could turn to learn more about earnings and what's going on with the companies that they want to follow?

Christine

33:46

So first, an earnings calendar. And there's a lot of these out there, we have a Wall Street horizon, we have one on our website that goes a few days out, some go longer, you know, we since we sell this data, we only give, you know a short term view of companies up and coming, but you can look at Interactive Brokers and see some of our calendar data there. So I you know, I get an earnings calendar. So I know I'm not missing stuff, I want to be aware of what's coming up because I know there's volatility around these events from there.

Once I know a company's reported, I like to go right to the investor relations page. I know there's other resources, but I like to poke around on there. So I can kind of see what other press releases have come out recently, I can, you know, check out if they have like a nifty Decker when their call is and when I you know I can get the transcript of the call there. So I will poke around on the investor relations page a bit. I also you know, the media does get these things earlier.

So if I feel like I really need to know what a company reported, I'll either like turn on a CNBC or go on Twitter. Like I find Twitter's just that's where things are getting out at rapid speed quicker than the company is actually even going to post to their investor relations page. Ah, so I will go on Twitter. And I'll see what people are talking about and, and who's posted that number first. And I'll just do dollar sign ticker. That's you know, everyone posting about that, let's say Apple dollar sign AAPL. And that's, you know, see who can get it up fastest, right? It's always a race. So that's kind of where I would start when I'm kind of interested in finding out who's reporting when. And once I know that report is happening, finding the information,

Dave

35:27

the quickest. So what does Wall Street horizon do? So how could you help investors? We've kind of hinted around at that. So now, give us the breakdown.

Christine

35:37

Yeah, so Wall Street horizon, we cover corporate events, not just earnings, but any sort of event, whether it be an investor day or a dividend, or, you know, a bunch of corporate different corporate actions and IPO buyback, so anything that the company is going to announce, it's all from the company itself, it's not stuff, we're scraping off the internet, it's actual announcements that the company has made. And we, you know, aggregate that in a digestible way that you can look at it is, you know, we are selling to institutions. So as far as what retail investors can look for, like I said, we're on certain retail platforms like Interactive Brokers, TD, Charles Schwab.

So if you're using any of those platforms, you will likely see our data around there. And what I always say is, you know, I mentioned you got to know that these things are happening, because there's volatility around all of these events. And you know, frankly, you can't miss them. The other thing that we track that I think is really interesting is something we call a corporate body language. So it's not just important to understand these events are happening, it's that there are changes in these events. And what does that mean?

So corporate body language to us is, you know, companies are nonverbal cues out to the marketplace, whether they're intentional or unintentional. And that could be in changing an event, whether it's the content or the timing.

There's actually been a lot of academic research on this, there's, there was one paper out by MIT that looks at our data and says, Okay, if a company says, we're going to report q3 earnings on October 17, and then subsequently changed their earnings date to a week later. Well, what does that mean, and what we found is that delaying earnings dates, whether it's as straightforward as I just mentioned, the company announcing an earnings date, and then changing it, or announcing an earnings date that is later than they historically have reported.

Because as you know, from following companies, a lot of them report the same time every quarter. So we report the third Tuesday of October for the third quarter. And that's when we always report when they go out of that rhythm. What does it mean, and what academic research has shown is that delaying an earnings report, actually indicative of bad news coming up on the call, whereas advancing an earnings report, so announcing an earnings date that's earlier than they would usually report is in is,

I don't want to call it a signal. But it's a bit of a signal that maybe they've got good news to share. And the idea is like, well, if you have good news, you want everyone to know, right away, right? If you have bad news, you might try to delay telling that news for a bit. And it's, you know, every quarter, we have big names that we notice are actually reporting later, and it tends to line up most of the time. Again, you can't just take this one data point and say, Oh, Google move their earnings date. By the way, big names.

Rarely do this. A lot of times, it's the smaller names. But we had Facebook moving, you know, when the whistleblower was giving testimony, they actually moved their earnings date up before that testimony came out. Why? Because they wanted to get their numbers out. Before that happened. That makes sense. So it's just a where it's important to be aware of the changes. And that's something that we track again, are you going to make a decision based on the changes?

No, but it's, it's something to add into your investment strategy along with other things. So if I see a company move their earnings date later than usual, growth has been done in the last three quarters profit growth, and I noticed analysts are actually pulling down estimates more than usual, you know, I would use this as one piece of data in kind of form, formulating my, I guess, mosaic of the company, right? Like all of these data points are not looking great. And they push their earnings date. But again, there's other reasons they can do that I try to look for was there a change in CFO that's I'd say the biggest reason a company might change their earnings date is new management. So maybe they're just you know, picking a new date or whatnot. But it is one thing that we track really closely through another number called the Liri. The late earnings report index. It's an index that we've created that looks at of the US publicly traded companies with market caps over 250 million.

So we kind of sorted out the micro caps, we, you know, again, those are always so reliable, how many companies are reporting significantly off of their typical reporting day, you know, either early or late. And the base of that is 100. So anytime you see that Larry get above 100, that suggests, companies are a little uncertain right now, you know, they're pushing back their earnings day, if it's below 100, which we actually did see in the third quarter, it's that they're feeling more confident about what they're going to record and how investors are going to react to that news.

So we kind of think of it in terms of like, you talk about the VIX, the volatility index, there's a base of 20, if it gets above 20, that means investors are getting a little nervous. If it's below, it's, you know, we all feel good delivery is that for corporate uncertainty, and so that's something that we track quarter to quarter. And it's interesting, because in q2, as interest rates were rising, as we're, you know, we're in this bull bear market, and people are talking about recession, that number was at like 145. So it was well above that 100 baseline. And it told us while CEOs are feeling a little uncomfortable, well, now months have gone by, and nothing's really happened, right? unemployment still low, people are still shopping spending money, inflation is actually eased a bit.

And so we saw the Leary dropped to 96, this last quarter, meaning, you know, CEOs are feeling a little more comfortable in the current quarter, and maybe the short term. So again, that's those are things that we track very closely. And we are like huge data nerds to notice every little change and shift. It's not something I would recommend, like your average retail investor doing, but we write a lot about it. And I think it just adds color to the overall investment strategy, you can add it to your thesis as another confirming point or you know, something that's maybe different from the other data that you're already following.

Andrew

42:01

How did you spell that? Is that something that's successful for anybody? Out there?

Christine

42:06

Yes, we write about it extensively. So I e. R, I have the late earnings report index. And we joke, it's like, you know, it tells you if CEOs are feeling leery. Right. And that's not why we named it that, but it just worked. just worked out that way. The leery or the uncertainty index.

Yeah, it's been really, you know, it's something that we just kind of introduced earlier this year, as we were noticing more of a shift and when companies reporting and as, like I said, you can go on our website, there's a lot of academic research out about when companies choose to record, you know, for a while it was if a company reported on a Friday, like, Oh, they're definitely hiding something who reports on a Friday afternoon, then that was maybe a decade ago, then it was? Well, now, if you report on a Friday afternoon, you're actually getting noticed more just because of the fact that you're reporting on a Friday afternoon, everyone's like, wait a minute, what are you trying to hide?

nd so companies got noticed more. And so there was a lot of different research around the timing and the time of day, whether or not you move their earnings report. And again, this is true for not just timing, but the content. You know, like, sometimes we'll notice, well, why did this person pull out of speaking at this major event? And what does that say? Or will notice? Why is this company speaking at all of these industry events, and none of their peers are, that kind of makes me like that company more if I'm deciding to invest in a space, I want to invest in the one that's that's out there. And, you know, you do have to ask yourself, well, why are they out there, maybe they're trying to control a narrative.

But also, they're out there, because they probably have reported pretty well, and they probably have good numbers to share going forward. And they're happy to get out there and talk about it. So again, it's all these little nuances. And you have to be a pretty big data nerd to delve into these things. But that's what we call corporate body language.

Andrew

44:01

Yeah, I think it's fascinating. And it's cool that the team over there, as has been the one to spearhead it, because in today's data driven world, it seems almost obvious that this kind of stuff should be looked at, kudos to you guys for taking the bull by the horns. And, you know, putting the stuff out there.

Christine

44:21

Yeah, I mean, we have, like, 17 years of data now. And it's, you know, it's a lot of interpreting in looking at it and noticing patterns, and, again, deciding what to do with it, because there's not one obvious answer all the time. Right. And again, like I said, you might react differently to something that I would react to, and you might wait it heavier than I would.

So it's, you know, obviously, that emotion comes into it as well. But I think our biggest thing is just transparency and making sure people are aware of things, right, that's democratizing information. And, you know, you don't have to do anything with the information but just being aware or if you miss things, then, you know, that's certainly not good. So just being aware that companies are making these changes and what it could mean,

Andrew

45:08

yeah, you know, that's something I can get behind wholeheartedly. And I appreciate all the different caveats and everything that you disclosed with with a lot of these examples, because you're right. I mean, there is not very often they want 100% answer to any piece of data that you're looking at. So it's important for people to get that perspective. And I appreciate that. You gave all of that to us. Christine, this has been an awesome conversation. Is there anything else you'd like to say? parting words? Where can people find out more about you? And Wall Street horizon or anything else? Along those lines?

Christine

45:45

Yeah, well, thanks, again, so much for having me. This was I mean, I feel like we just got the tip of the iceberg. I could talk about some of this stuff all day. But it was questions were great. And really good discussion. Like I said, we're at Wall Street horizon.com, I can be found, I produce, you know, research notes weekly, couple times a week looking at our data. Those are published on our website, they're picked up by a bunch of different media sites I do on air appearances all over the place. So I am out there talking about this stuff.

And despite the fact that we just spent, you know, a long time talking about earnings, like I said, we cover about over 30 different types of corporate events. So recent, my most recent piece was on dividends and how actually, we're seeing dividend decrease. So we looked ahead to next quarter, and we're seeing more decreases and increases. And Andrew, I know you're a dividend, guys. So that's sort of upsetting. And what does that say? Right?

What does that say about how companies are feeling about 2023? Doesn't sound too good. You know, other observations you can read about that? We recently posted IPOs. Obviously not a great year for for IPOs. This past year, a great year for buybacks. Well, that tax is coming up in January. So spin offs, we have seen a lot of spin offs in the last year that usually signals a market tops. So what what can you read into about spin offs and some of these other corporate actions?

No, we're worried about splits and all that. So you can find us around you can find us on our website. We have a blog. And then like I said, anywhere from traders insight, investing.com FactSet, Seeking Alpha, see it market? So a bunch of different places.

Dave

47:27

Awesome, awesome. Well, those are all great resources. And Christine, this was a fantastic conversation. This was a lot of fun. And I know I learned a lot and I was just like you're taking mental notes of all these things. Like you said, we could probably talk about this for hours. We appreciate your time.

And we appreciate you taking the time to talk to us and help educate our listeners. Because this is a very important topic. And it's it's not talked about enough. And I think it's something that can help average retail investors along the way. So thank you again for taking the time to come join us today. We really do appreciate it. For those of you out there listening, go out there and invest were the margin of safety and sun, the safety. Have a great week, and we'll talk to you next week.