EARNINGS CALLS, MANAGEMENT CREDIBILITY, AND VALUATION

THE BREAKWATER CAPITAL MARKETS GLOBAL INSTITUTIONAL SURVEY CAPTURED PERSPECTIVE FROM OVER 800 LONG-ONLY INVESTORS ACROSS FUNDS REPRESENTING TRILLIONS OF DOLLARS IN ASSETS UNDER MANAGEMENT THE SURVEY RAN BETWEEN APRIL 1, 2026 AND JUNE 30TH 2026 AND REPRESENT A GEOGRAPHICALLY DIVERSE PERSPECTIVE INCLUDING NORTH AMERICA, EUROPE, THE MIDDLE EAST, AND ASIA.

BREAKWATER CAPITAL MARKETS

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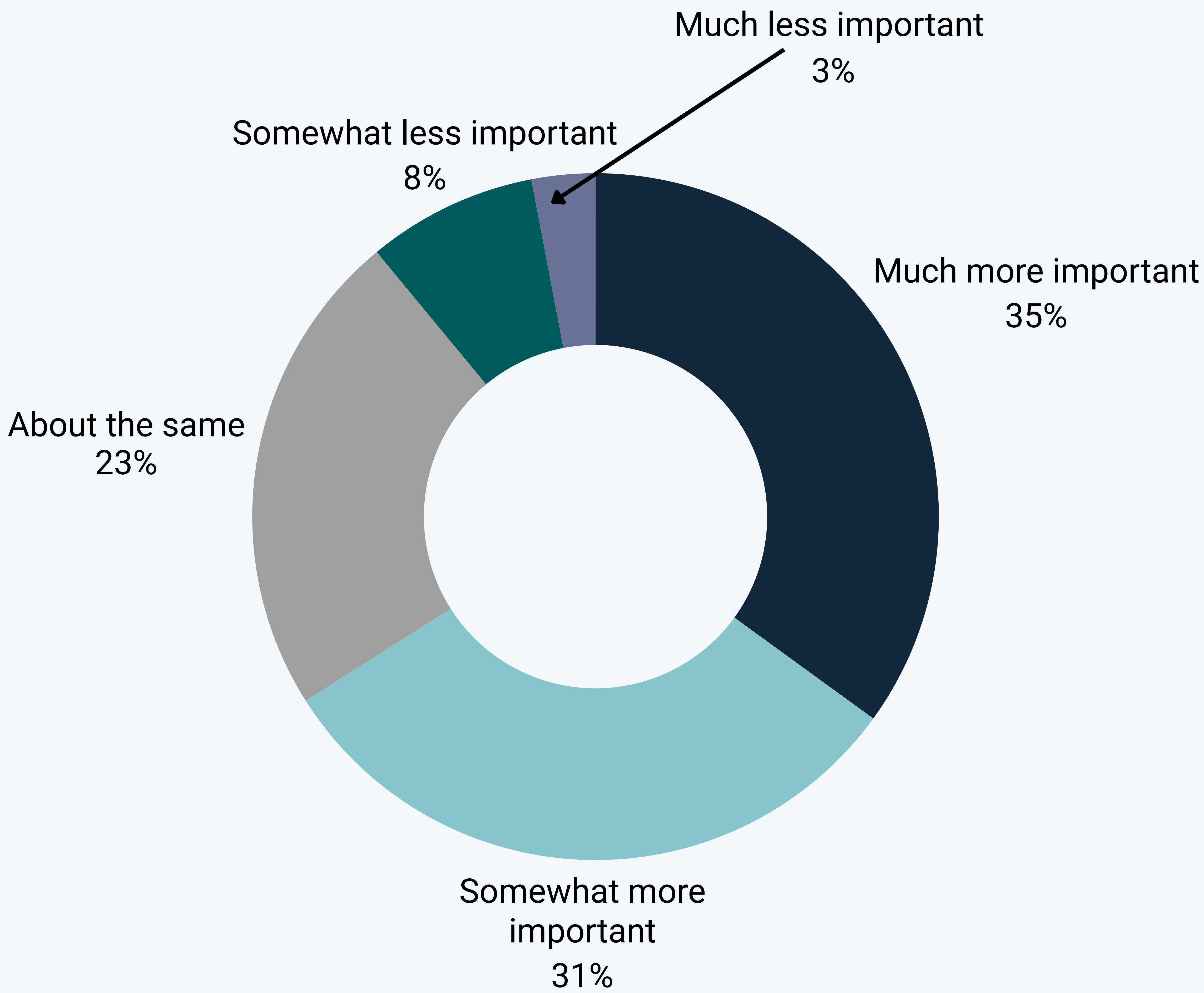
BREAKWATER

Section 1:

Changes Over the Past 12 Months

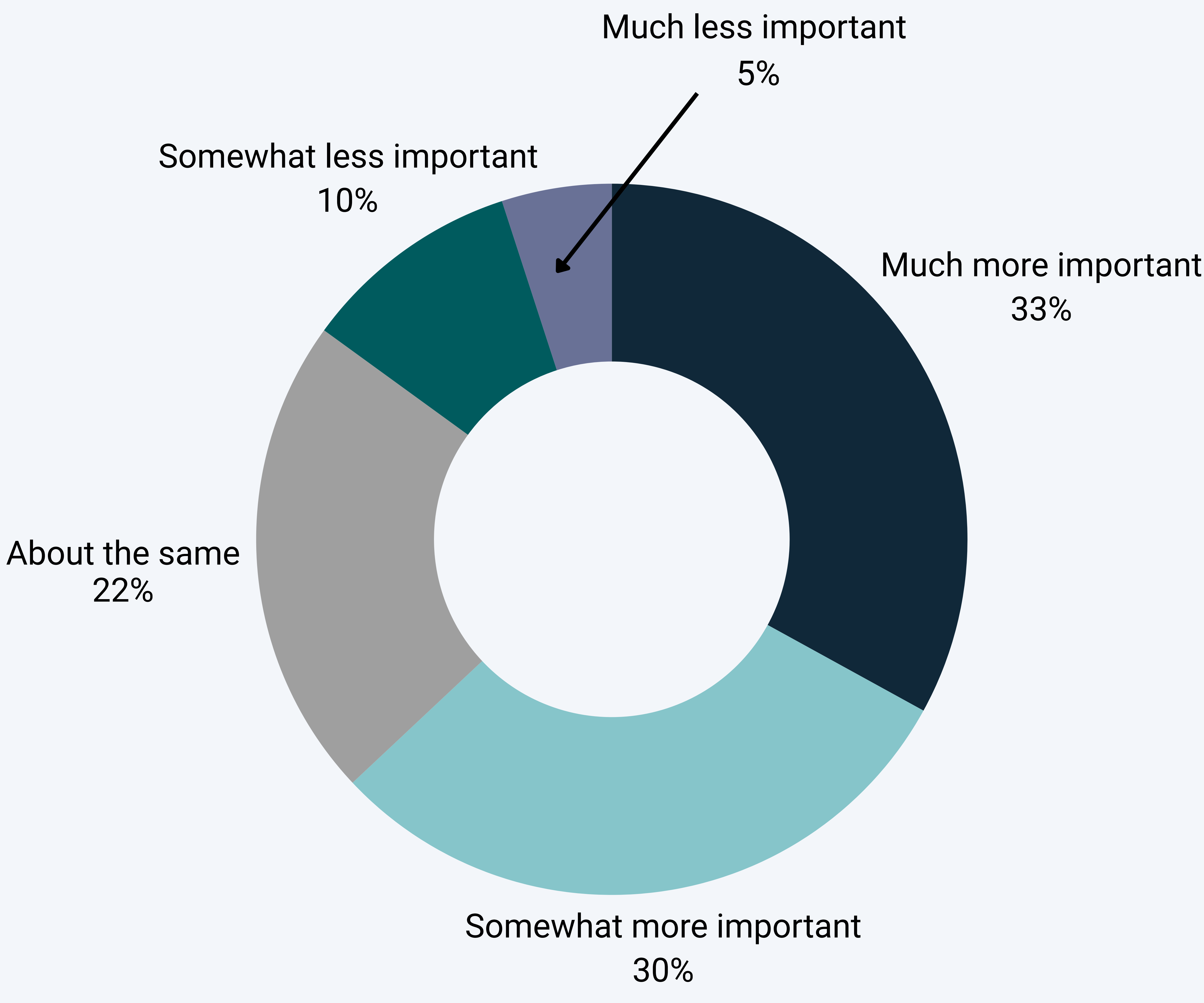
01 Compared with 12 months ago, how important are earnings calls in your assessment of management credibility?



Key finding: Sixty-six percent place more importance on earnings calls when evaluating management credibility.

02

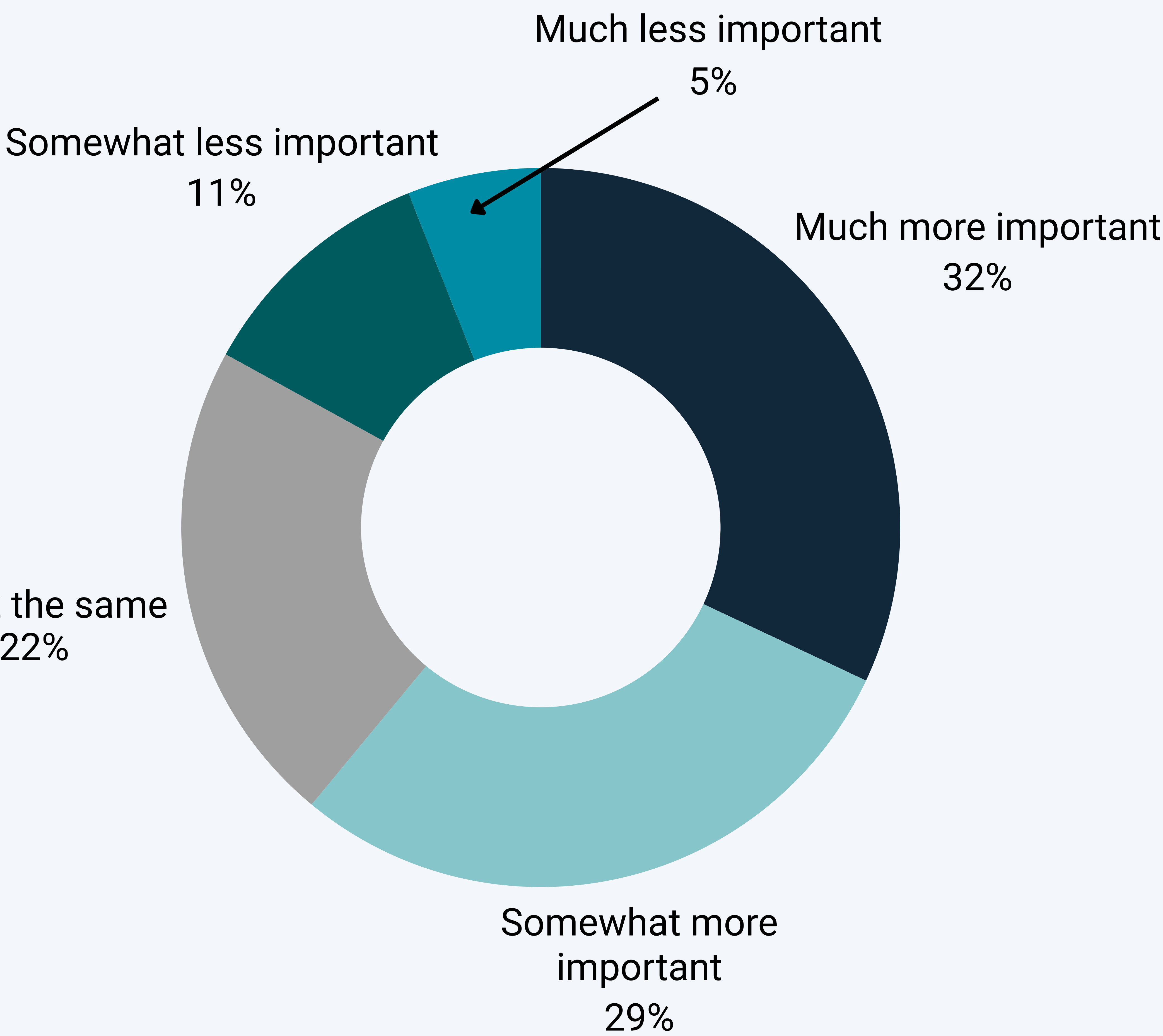
Compared with 12 months ago, how important is management's performance during the analyst Q&A?



Key finding: SixtSixty-three percent place greater weight on unscripted Q&A performance.

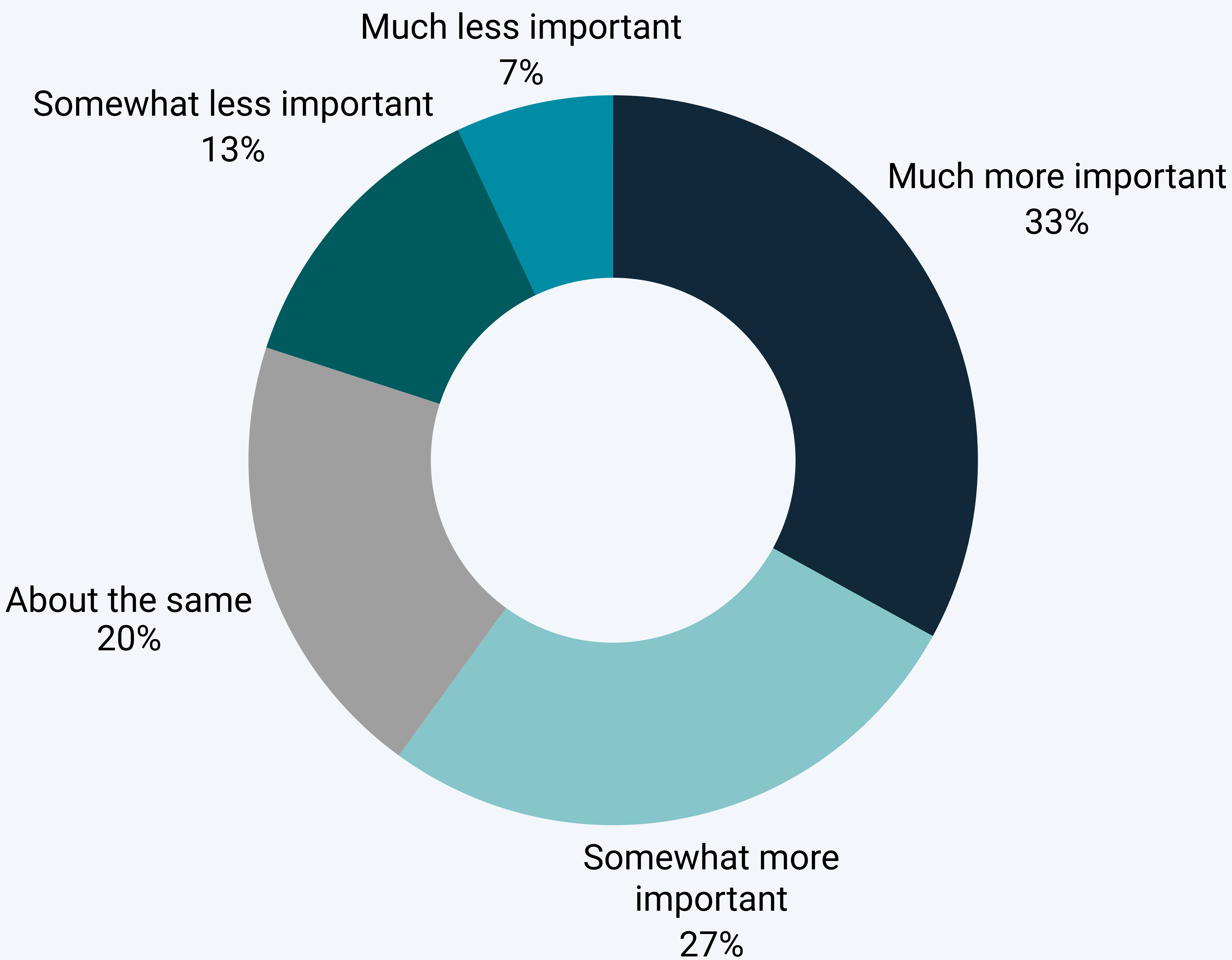
03

Compared with 12 months ago, how important is consistency between management's current statements and previous earnings calls?



Key finding: SixSixty-one percent now place greater importance on consistency across reporting periods.

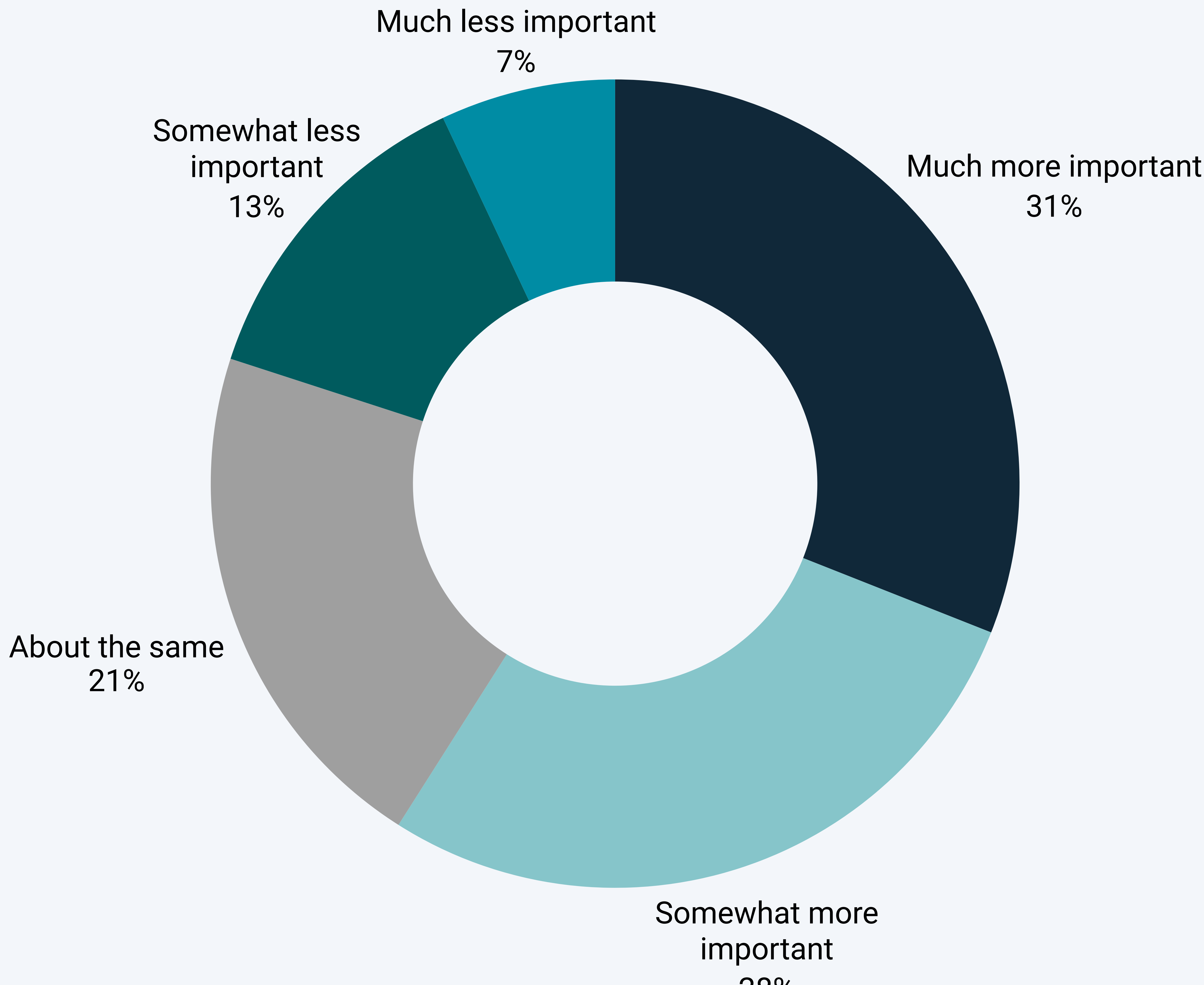
04 Compared with 12 months ago, how important is management's historical record of meeting or appropriately revising guidance?



Key finding: Sixty percent place greater weight on management's guidance track record.

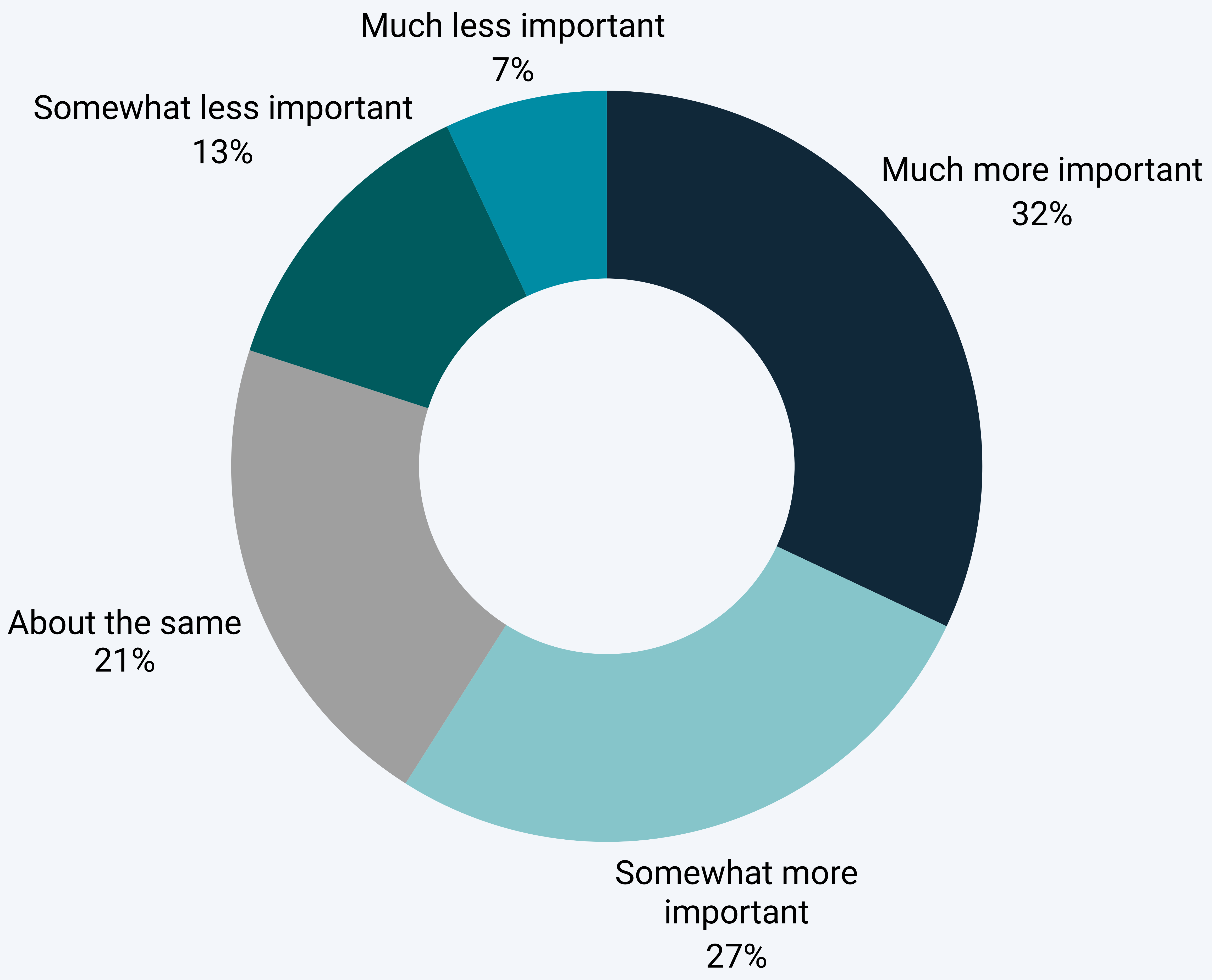
05

Compared with 12 months ago, how important is management's willingness to accept responsibility for underperformance?



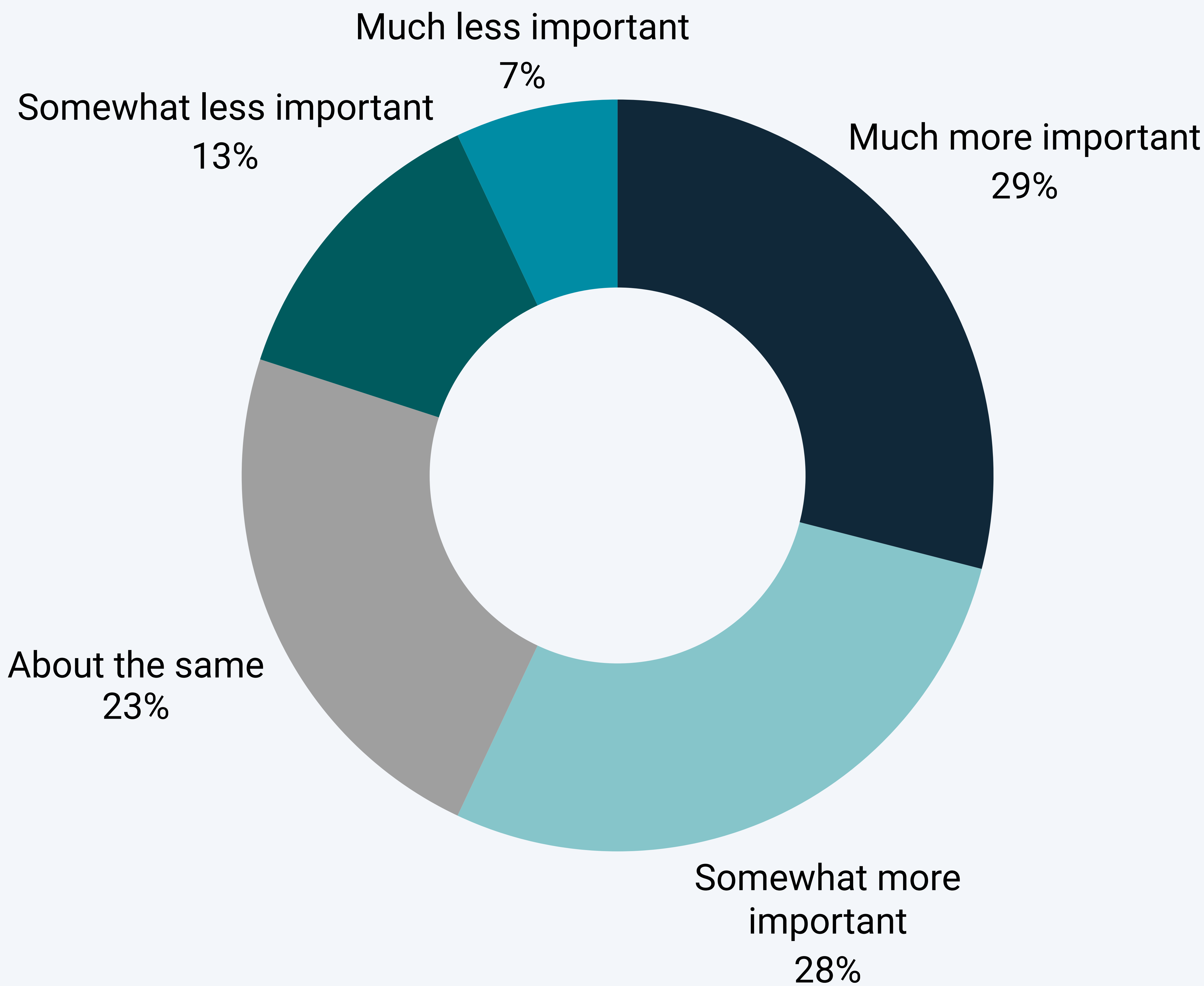
Key finding: Fifty-nine percent increasingly view accountability as a core test of credibility.

06 Compared with 12 months ago, how important are the speed and completeness with which management discloses negative developments?



Key finding: Fifty-nine percent place greater value on prompt and complete disclosure of bad news.

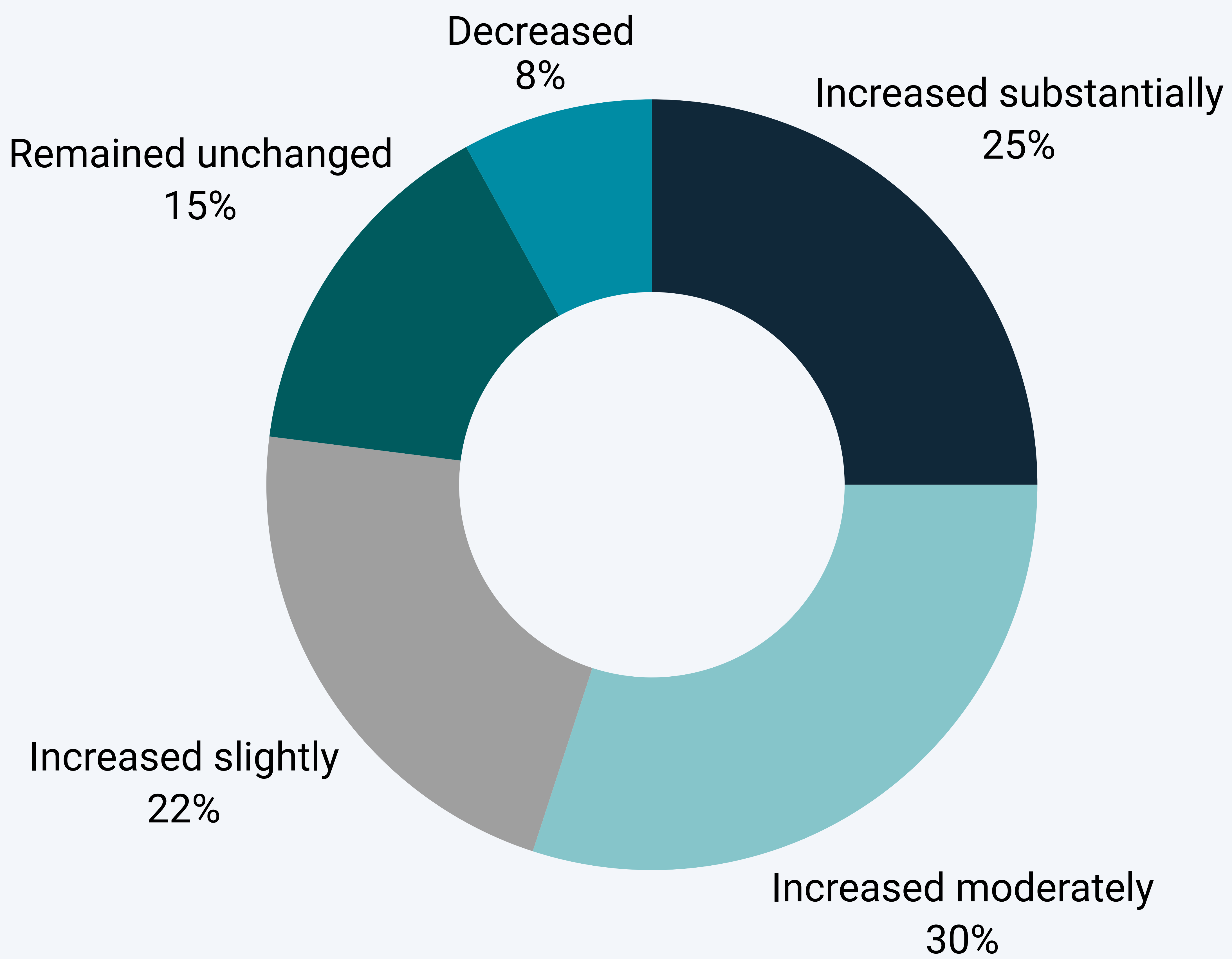
07 Compared with 12 months ago, how important is management's willingness to discuss uncertainty and downside risk?



Key finding: FiFifty-seven percent place greater importance on realistic discussion of uncertainty.

08

How has your use of external evidence to verify statements made during earnings calls changed over the past 12 months?

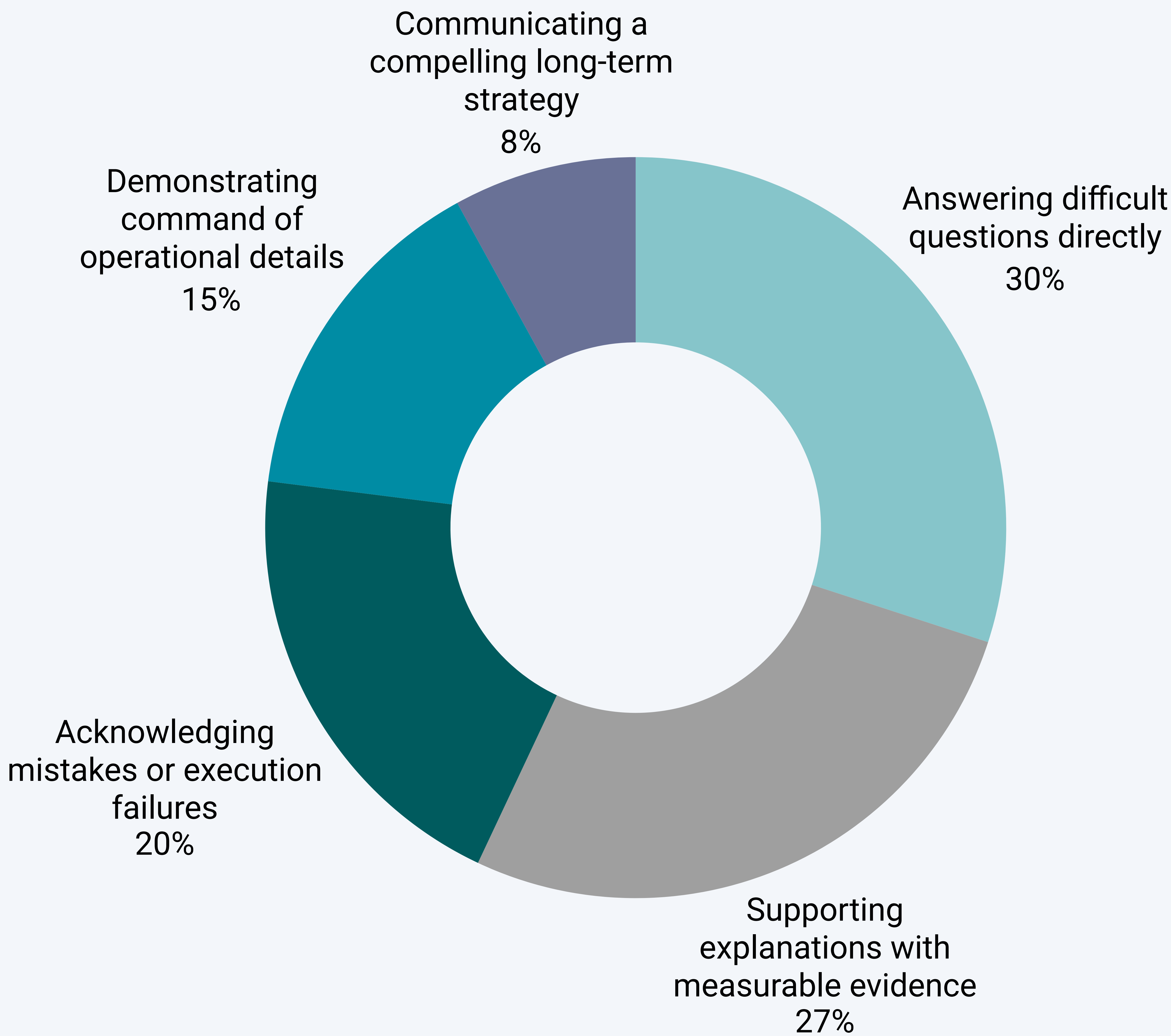


Key finding: Seventy-seven percent have increased their use of external evidence to test management claims.

Section 2:

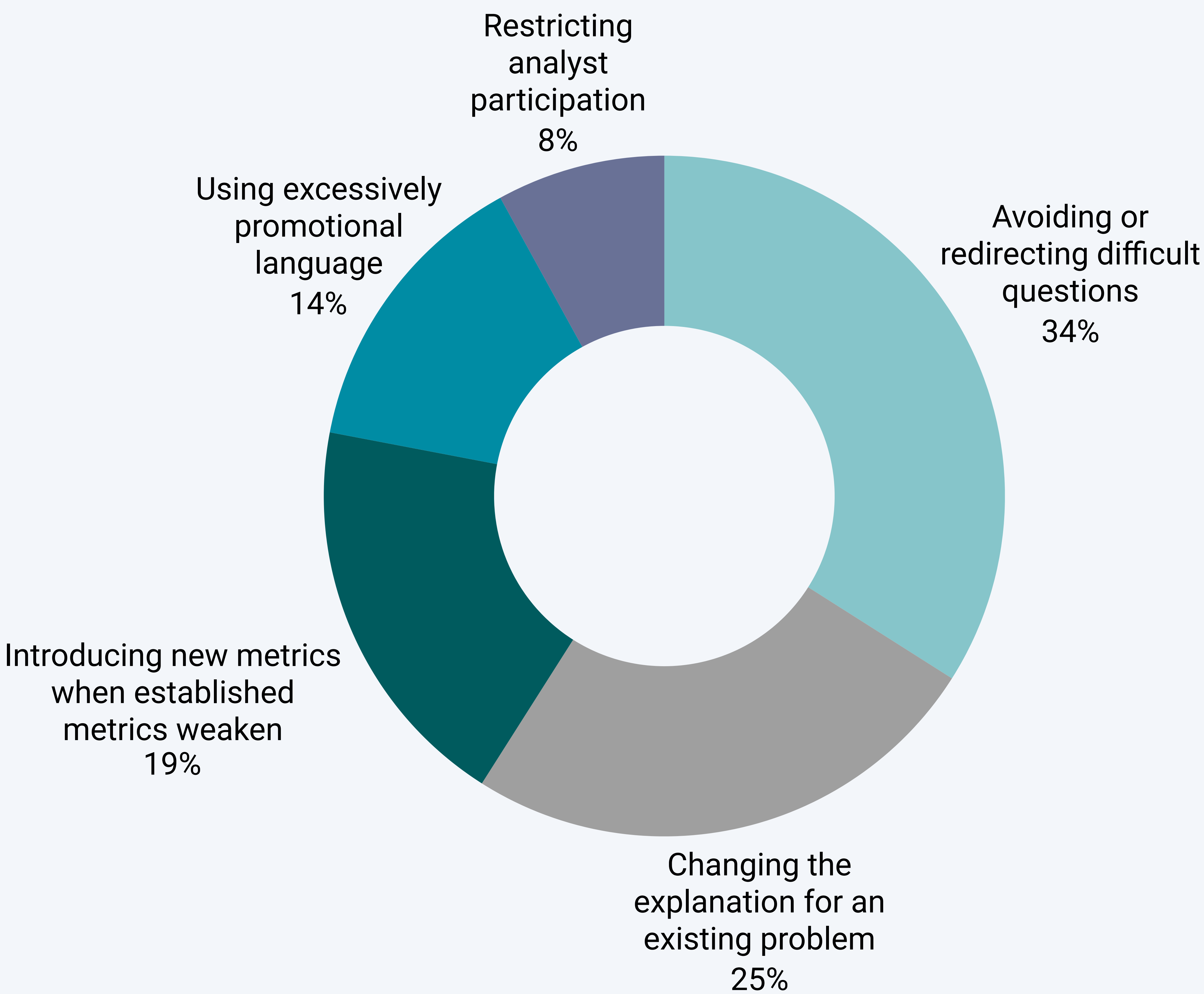
Current Indicators of Management Credibility

09 Which management behavior currently provides the strongest positive credibility signal during an earnings call?



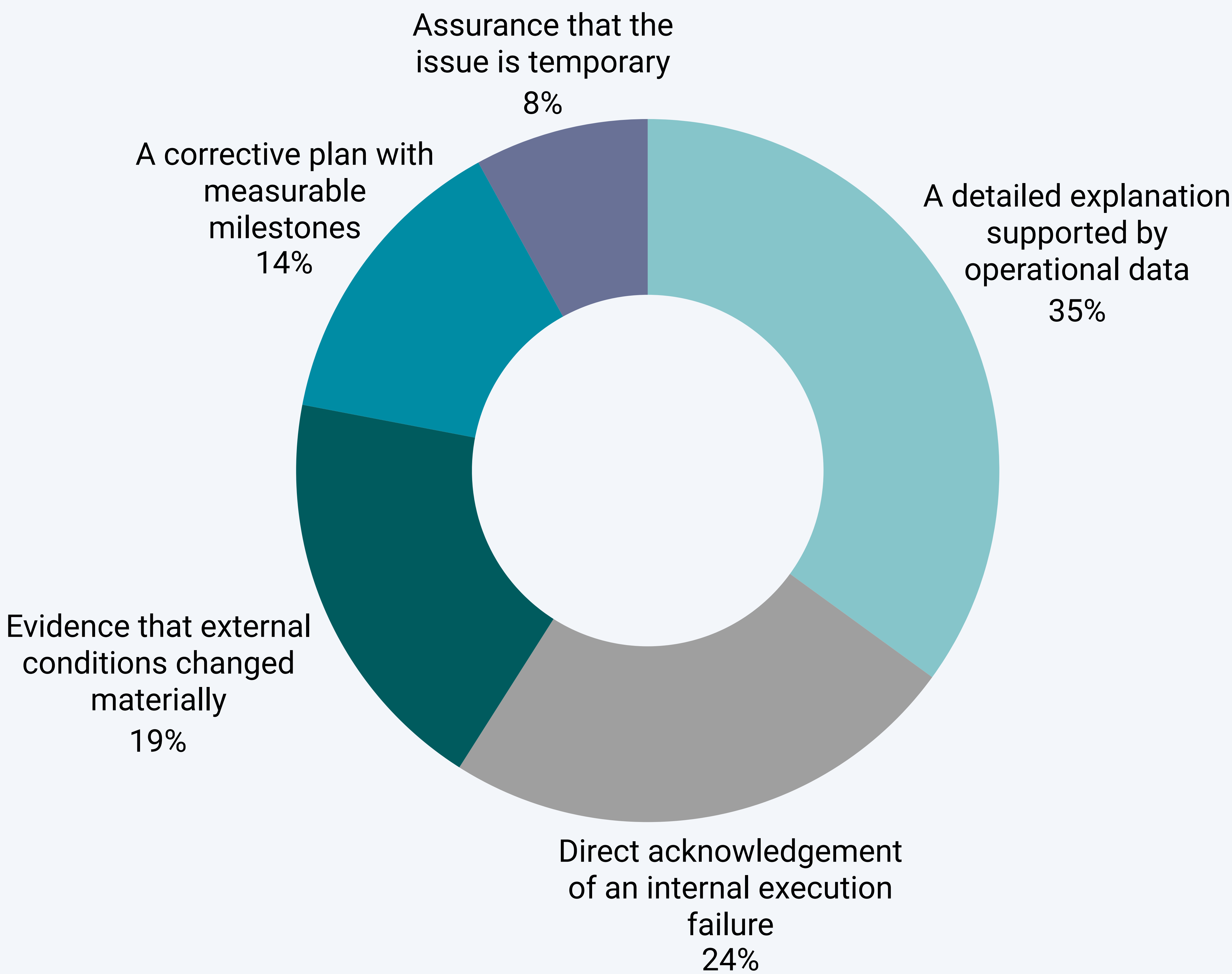
Key finding: Directness and supporting evidence matter more than presentation quality or strategic ambition alone.

10 Which management behavior currently provides the strongest negative credibility signal?



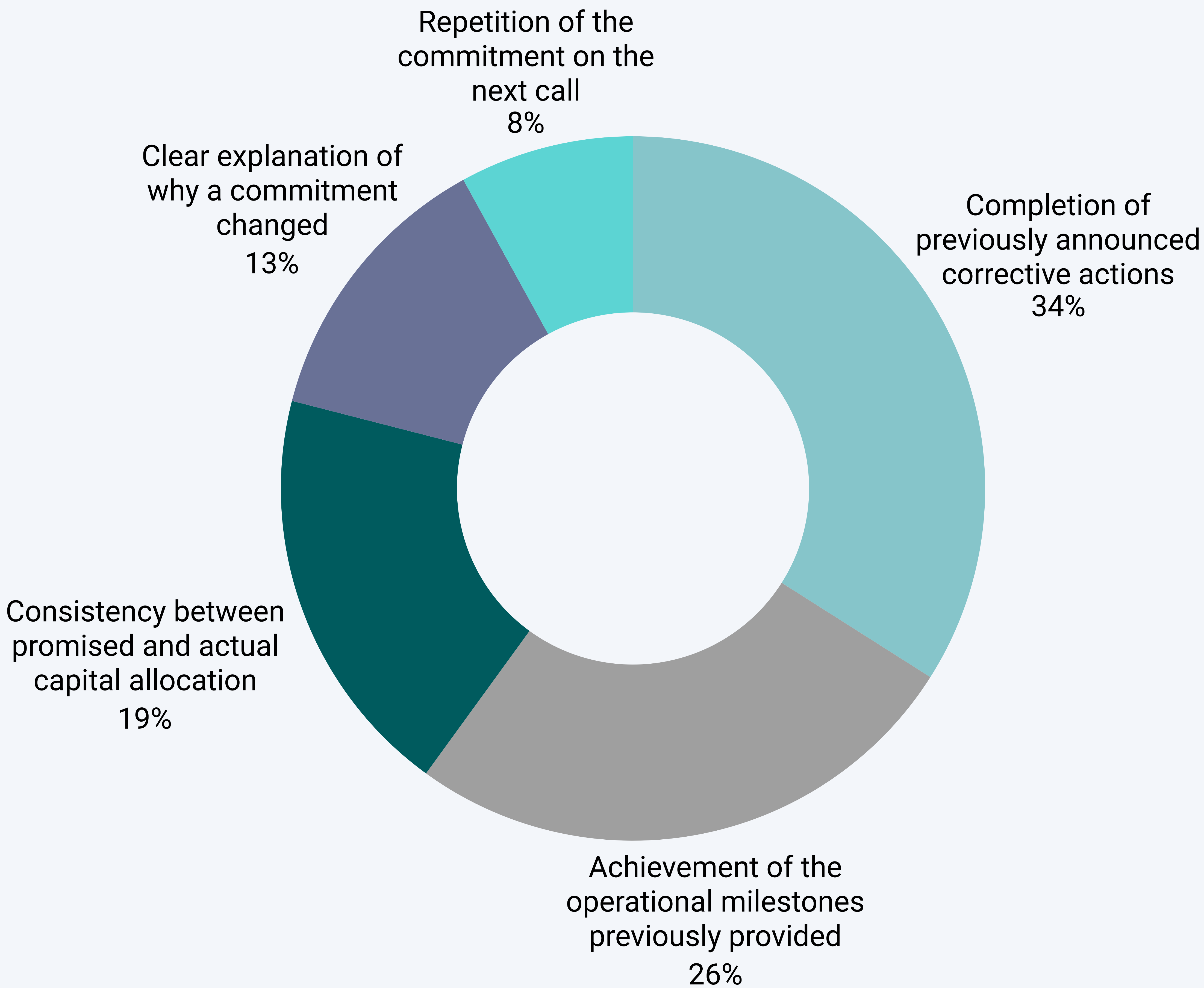
Key finding: Evasiveness and shifting explanations are the most damaging credibility signals.

11 Which response to a missed financial or operational target is most credible?



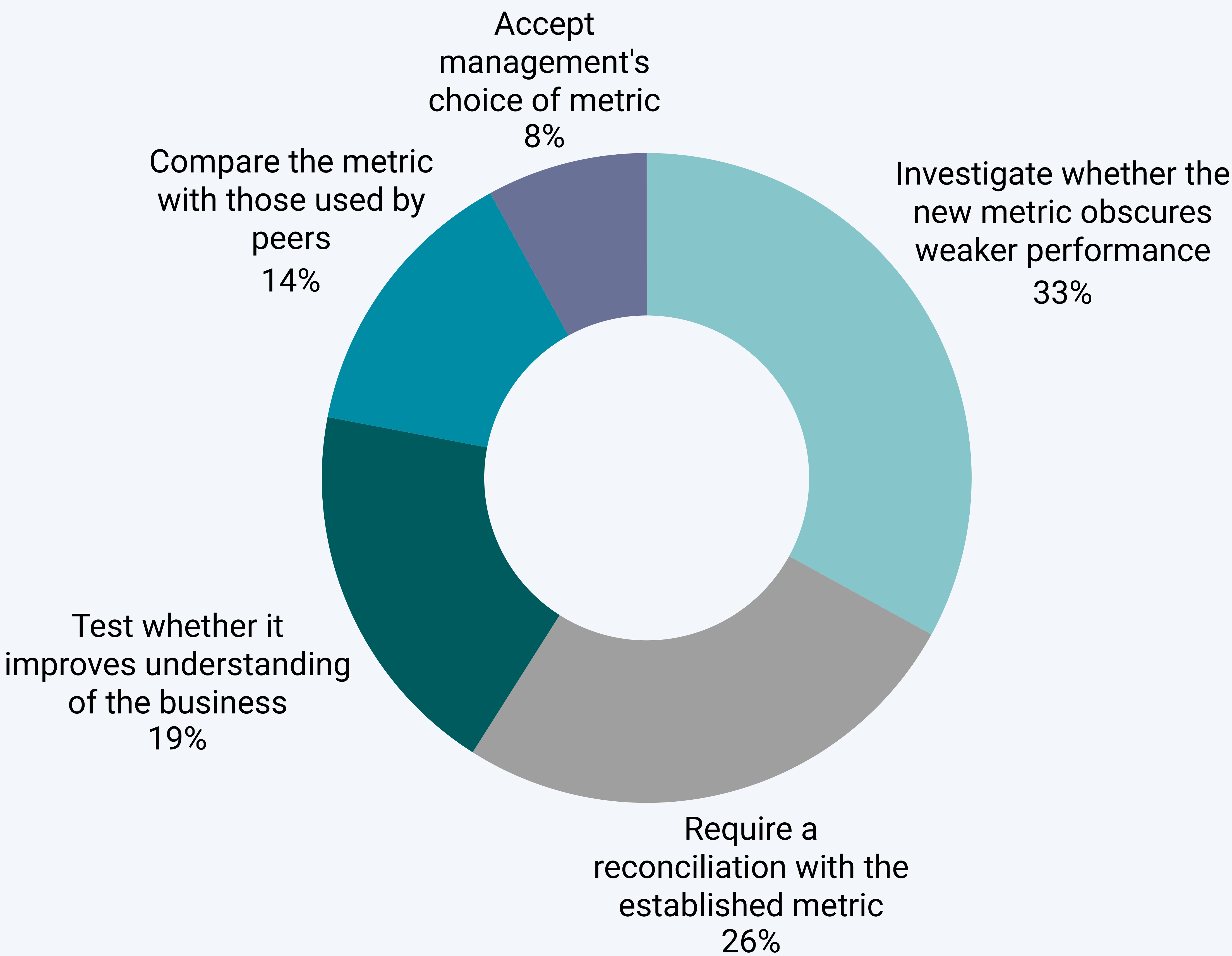
Key finding: Investors favor evidence and accountability over reassurance.

12 Which is the strongest test of whether management follows through on earnings-call commitments?



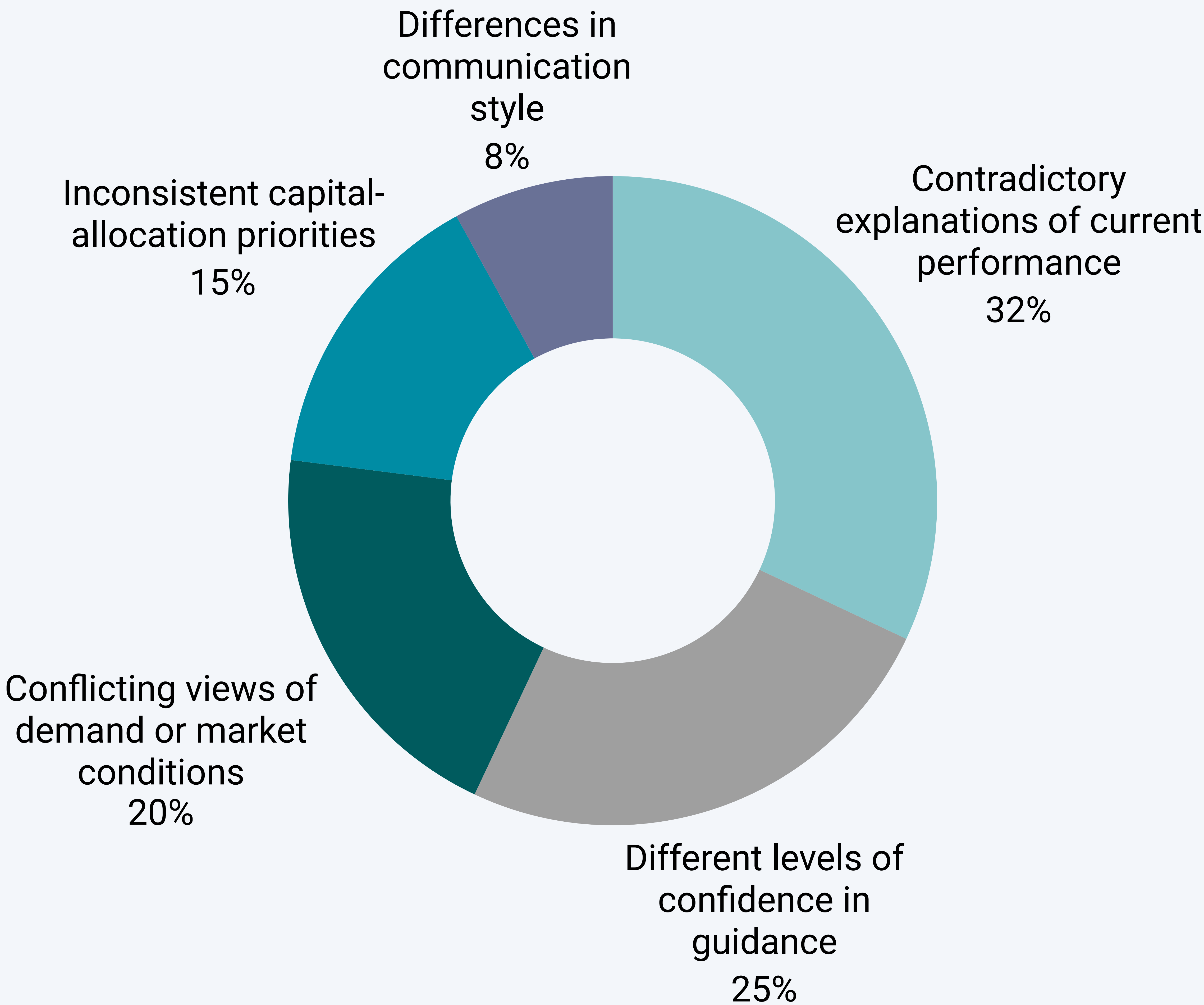
Key finding: Observable execution is a much stronger credibility test than repeated verbal commitment.

13 What is your primary response when management introduces a new performance metric while an established metric is deteriorating?



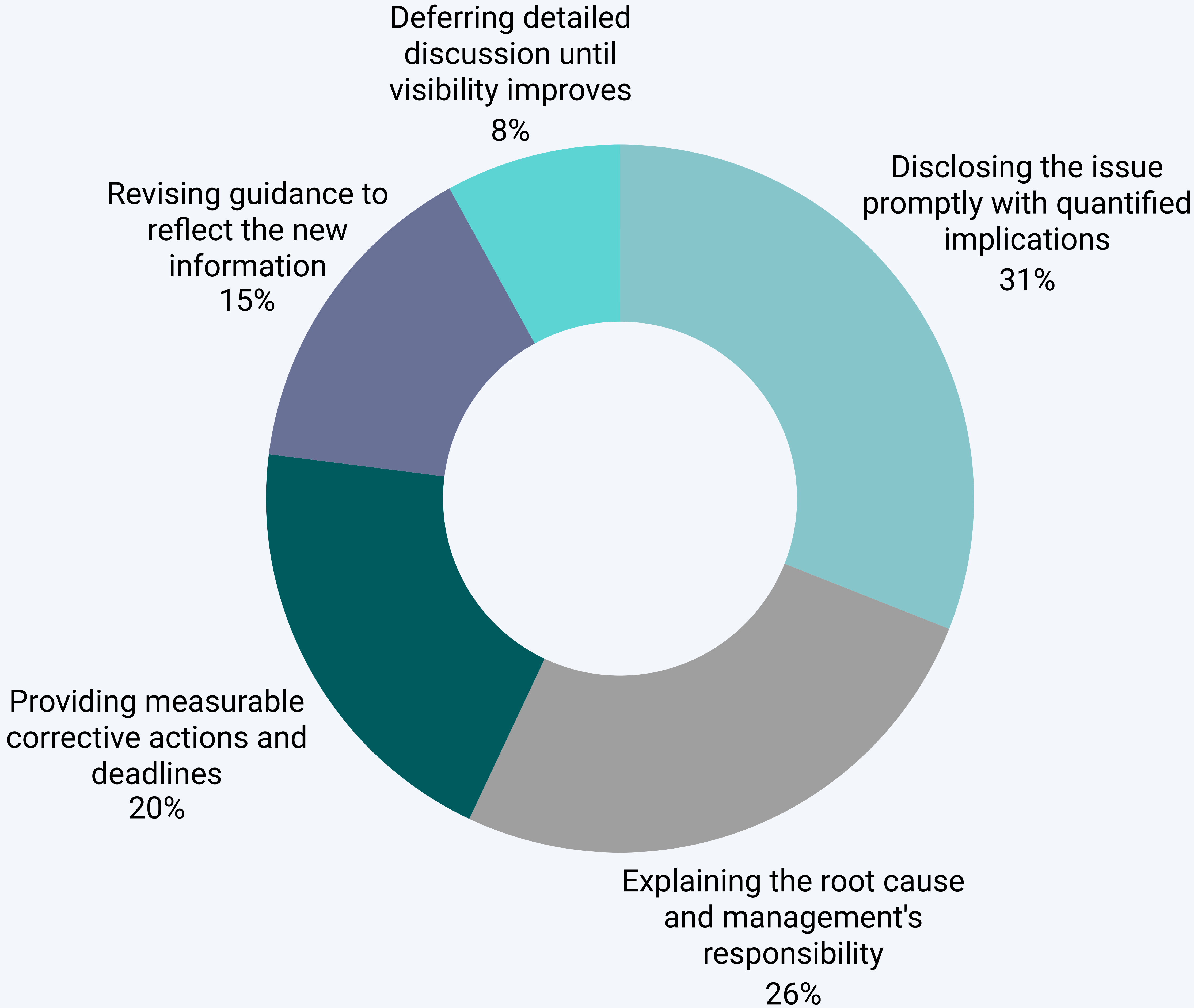
Key finding: Most investors initially treat changes in performance metrics as a potential credibility concern.

14 Which inconsistency between the CEO and CFO most damages management credibility?



Key finding: Conflicting explanations of current performance are considerably more damaging than stylistic differences.

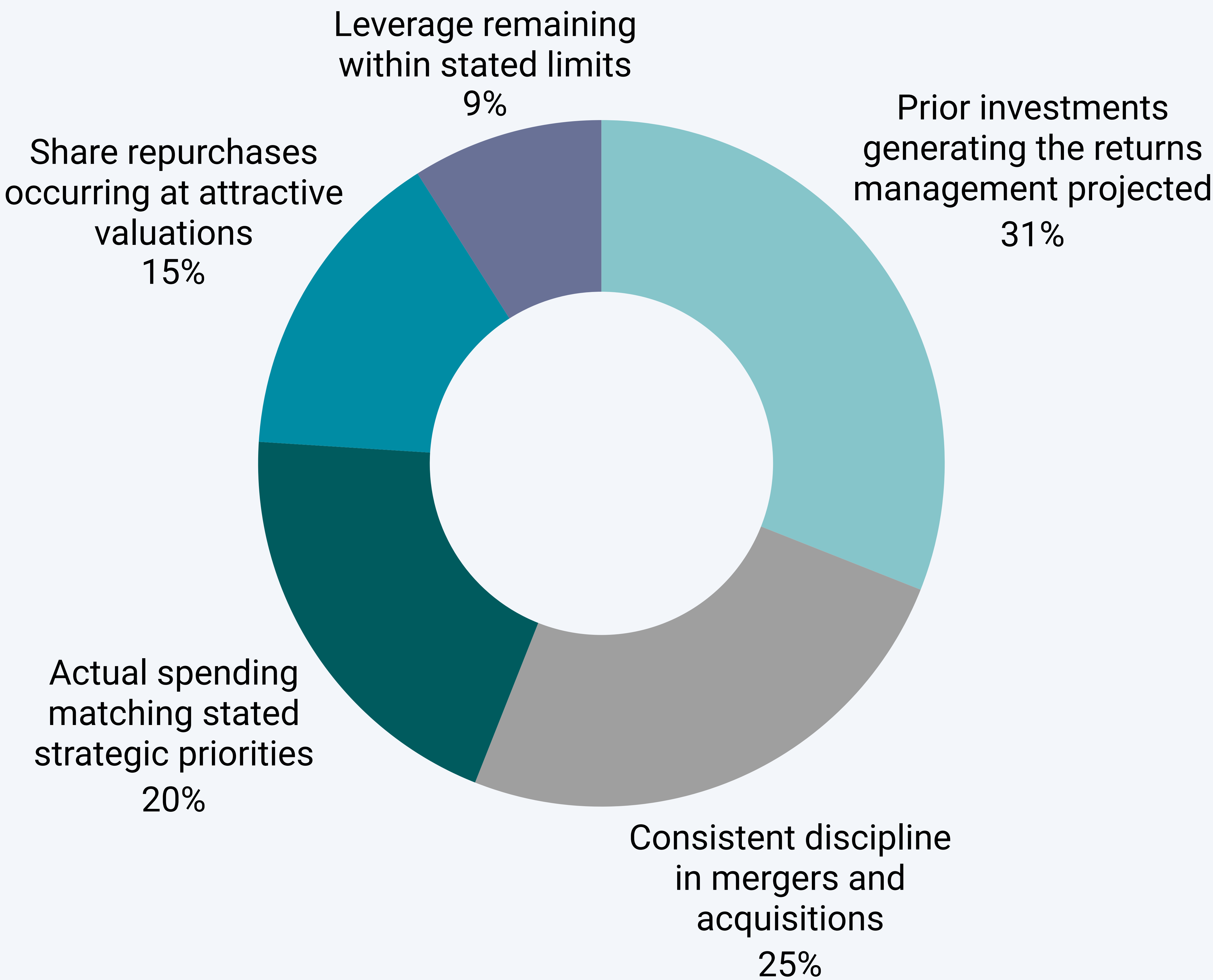
15 Which approach to communicating negative developments most strengthens management credibility?



Key finding: Prompt, quantified disclosure is the strongest response to negative developments.

16

Which capital-allocation outcome provides the strongest evidence of management credibility?

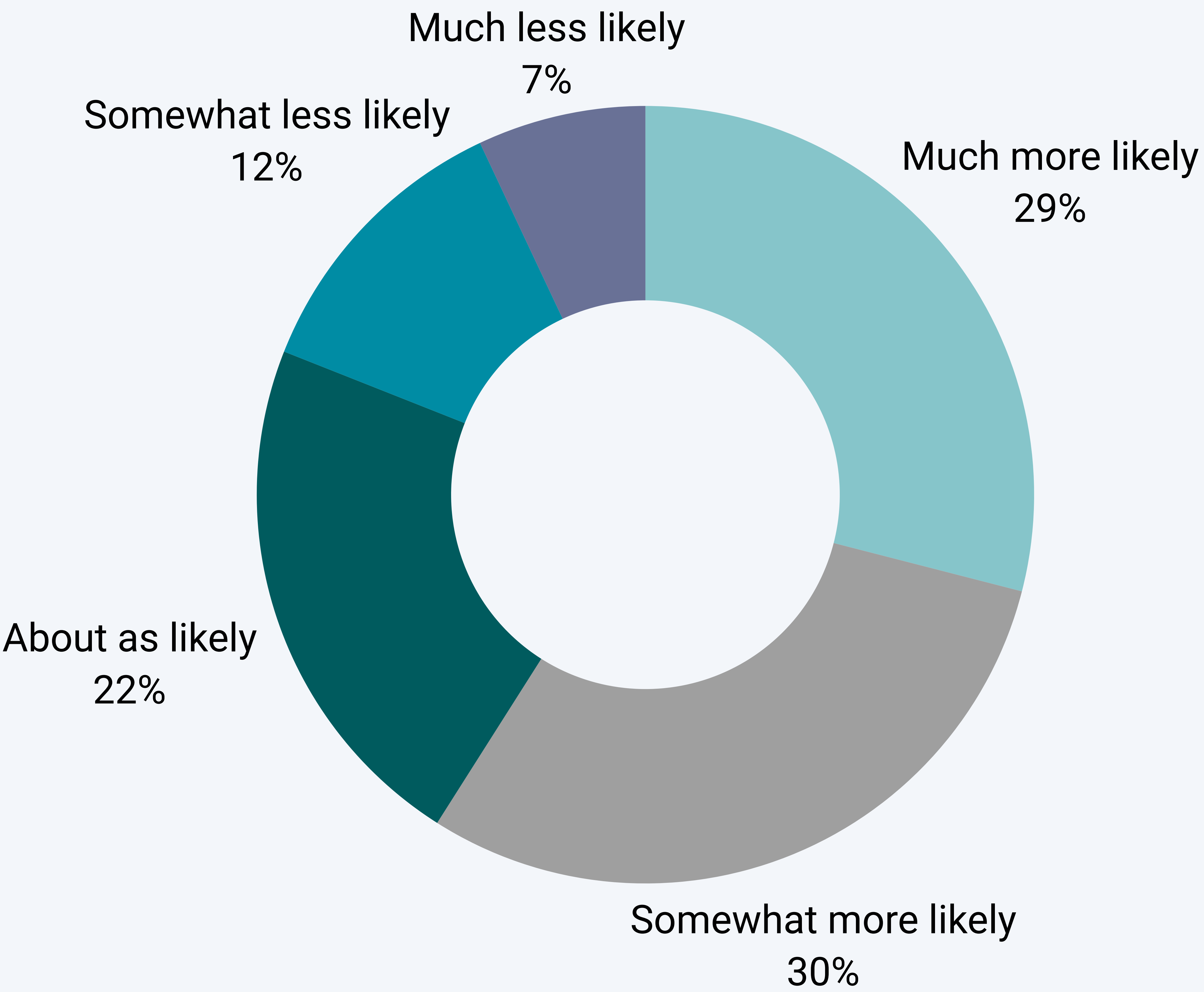


Key finding: Credibility depends most on whether previous capital-allocation promises produced measurable results.

Section 3:

Valuation and Investment Consequences

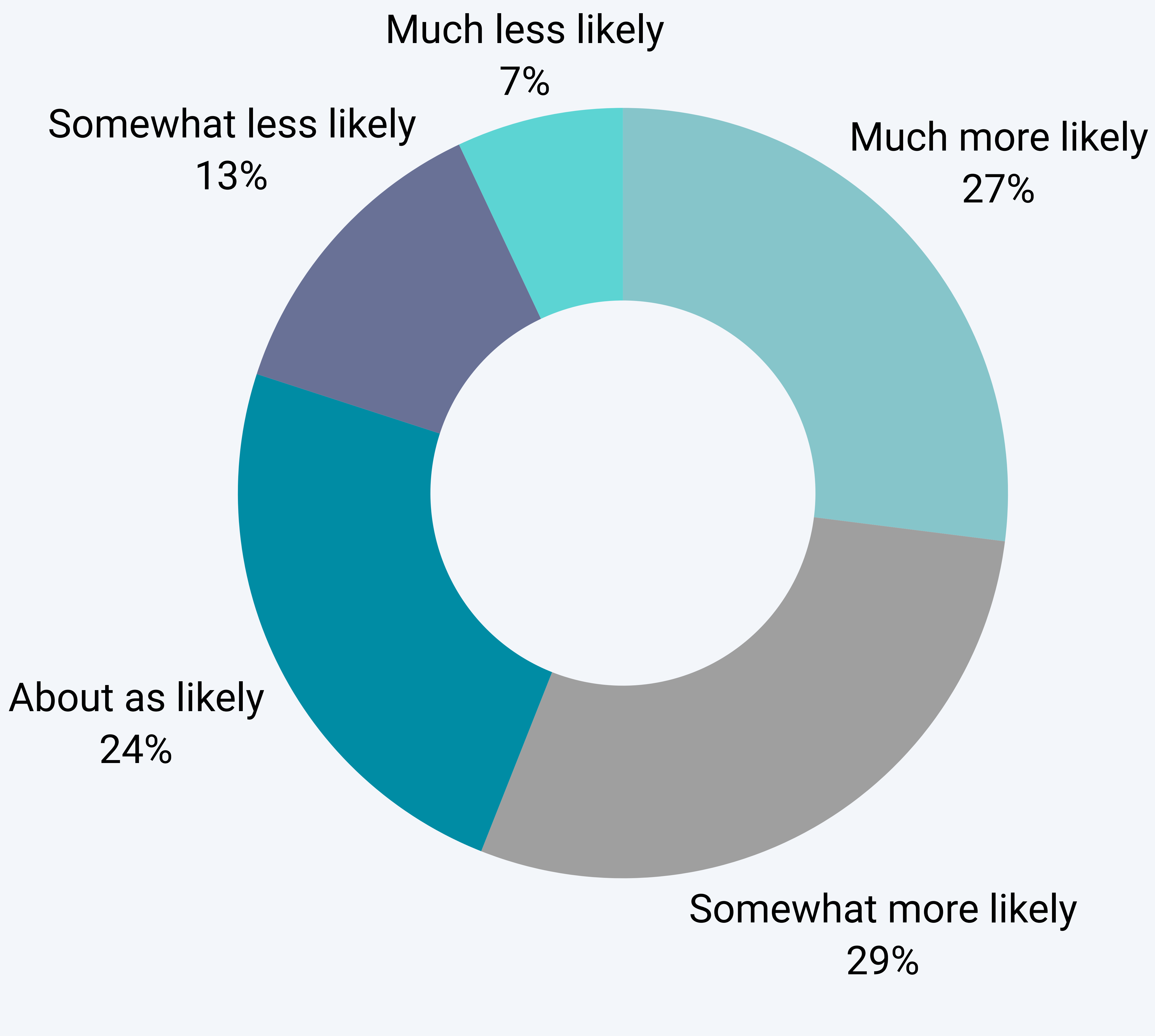
17 Compared with 12 months ago, how likely are you to revise financial forecasts following a low-credibility earnings call?



Key finding: Fifty-nine percent are more likely to revise revenue, earnings or cash-flow forecasts following a low-credibility call.

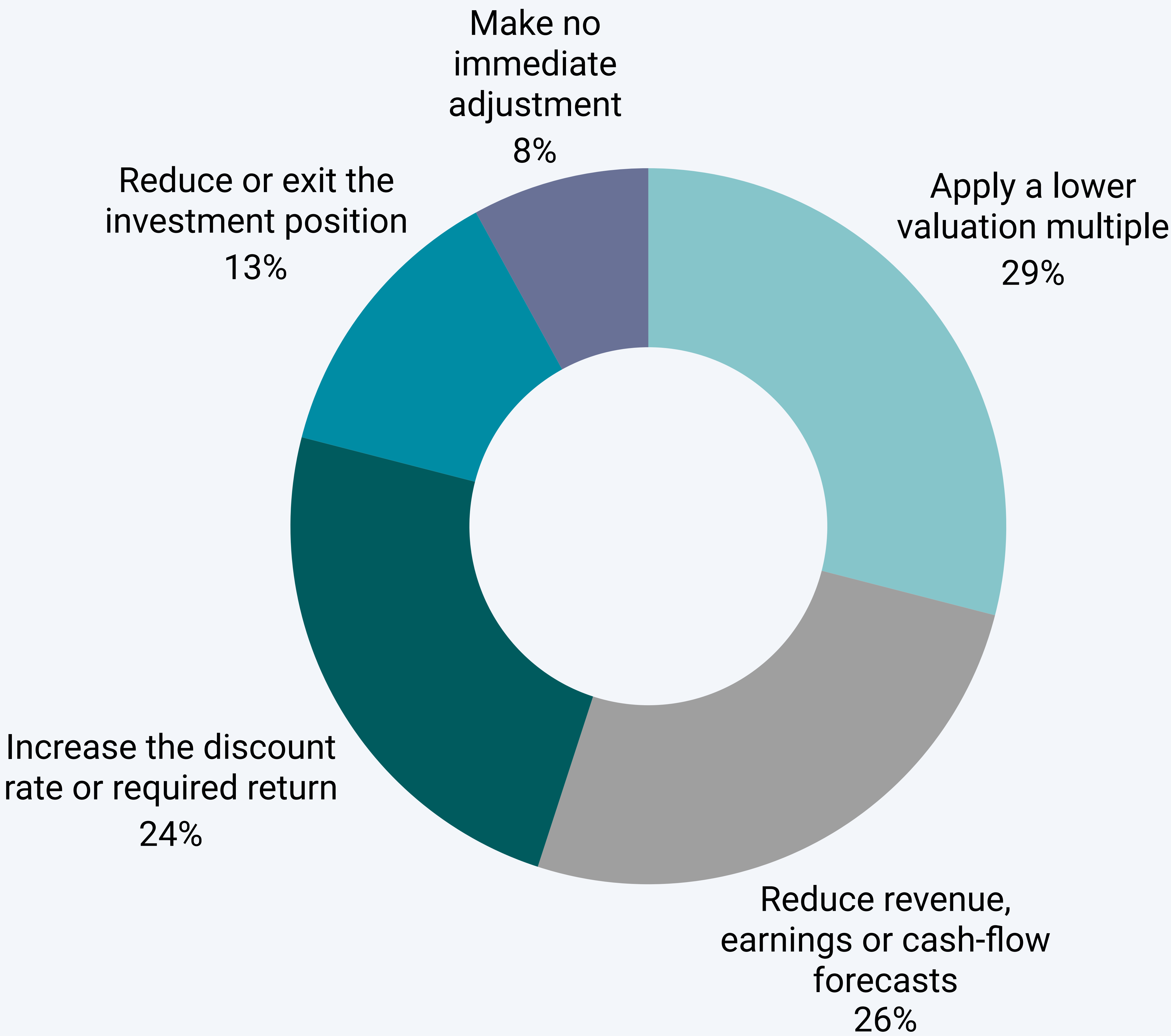
18

Compared with 12 months ago, how likely are you to make an explicit valuation adjustment following a low-credibility earnings call?



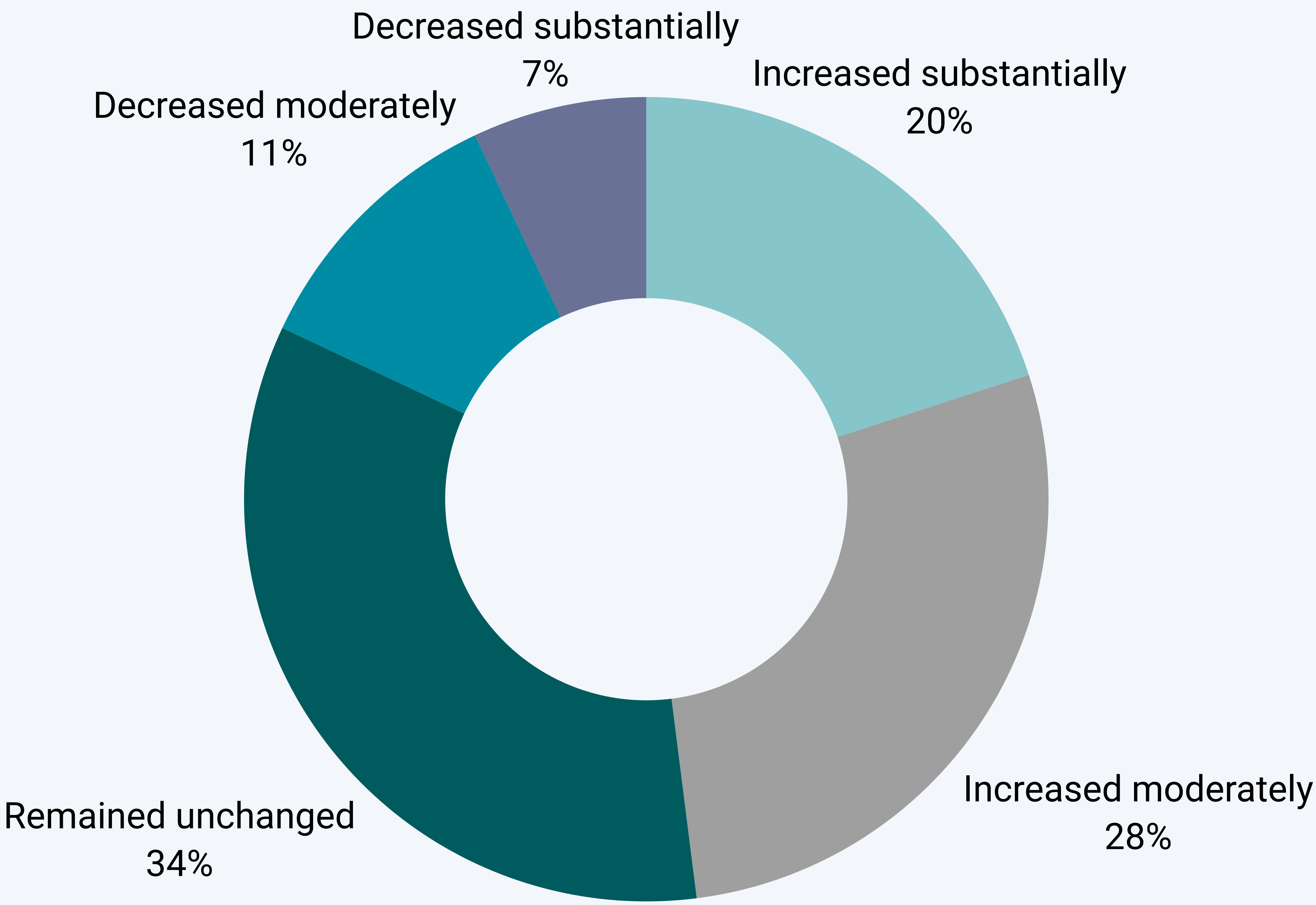
Key finding: Fifty-six percent are more likely to translate credibility concerns directly into their valuation assumptions.

19 What would typically be your first valuation or portfolio action following a low-credibility earnings call?



Key finding: Most investors initially reflect credibility concerns through lower multiples, weaker forecasts or higher required returns.

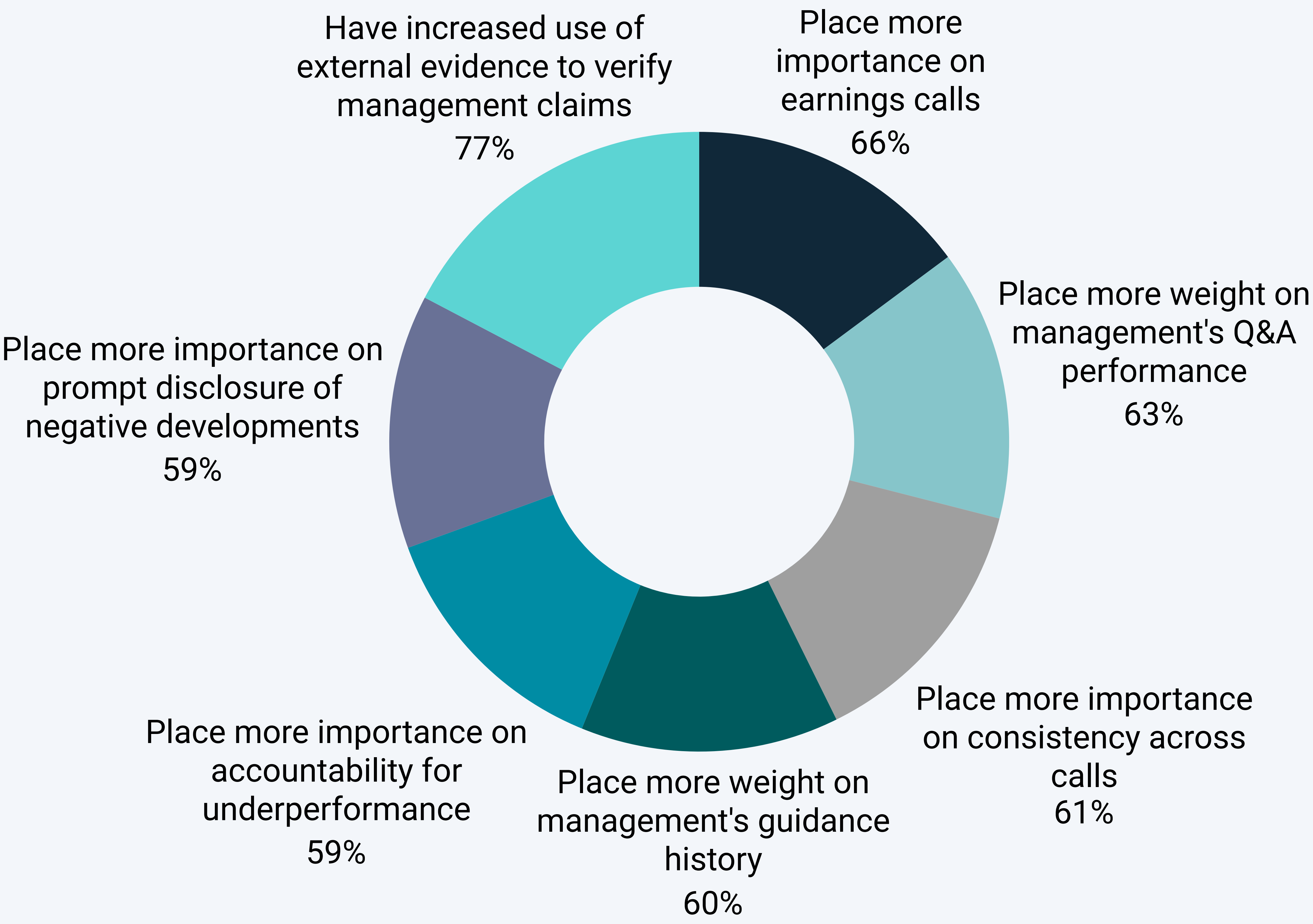
20 Compared with 12 months ago, how has your willingness to pay a valuation premium for management with a highly credible earnings-call record changed?



Key finding: Forty-eight percent have become more willing to pay a valuation premium for a highly credible management team.

Executive Summary

Increased Scrutiny



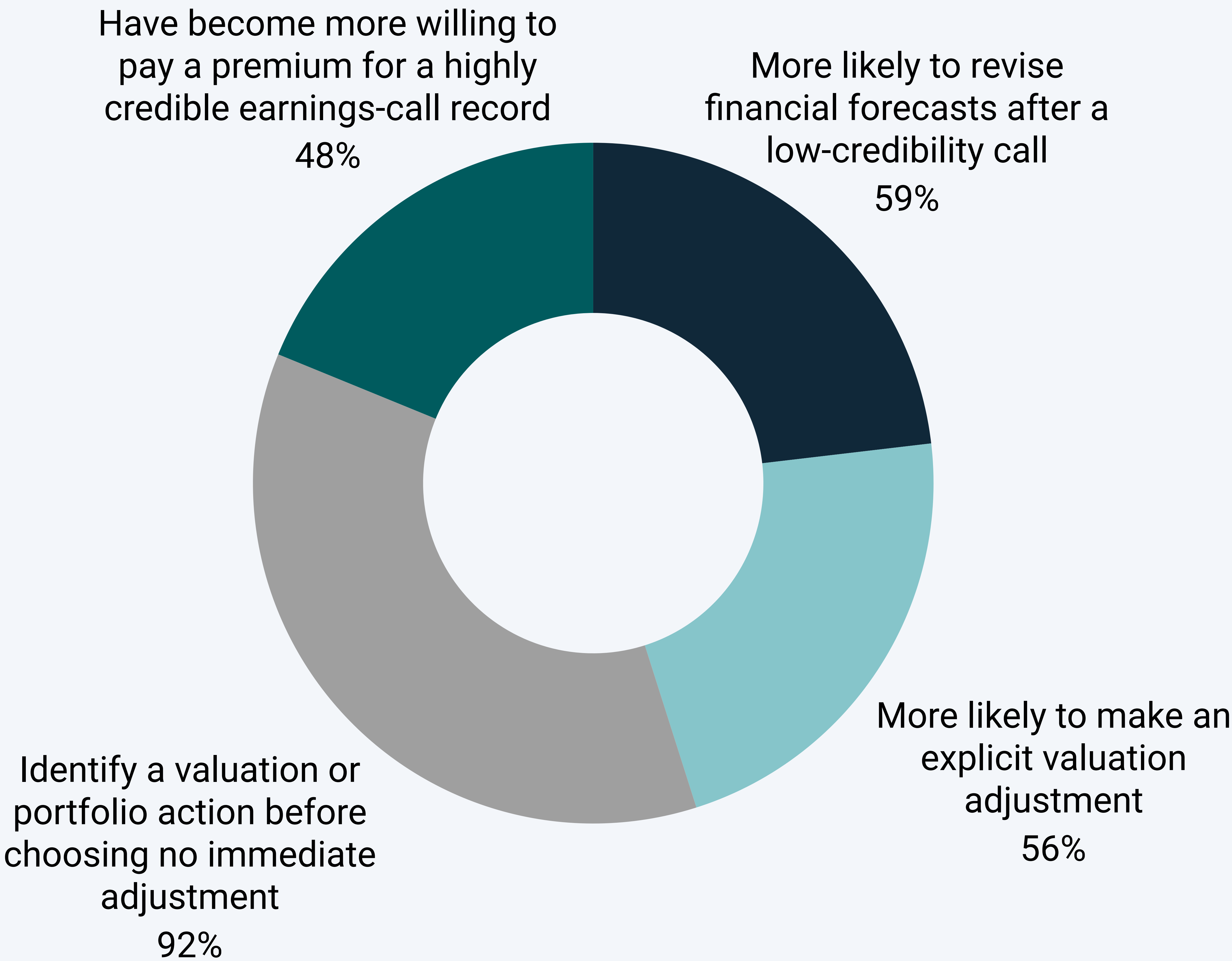
STRONGEST POSITIVE CREDIBILITY SIGNALS

- Direct answers to difficult questions
- Evidence supporting management's explanations
- Acknowledgement of mistakes
- Completion of previously promised actions
- Alignment between management's narrative and reported results

STRONGEST NEGATIVE CREDIBILITY SIGNALS

- Avoiding or redirecting questions
- Changing explanations for existing problems
- Replacing deteriorating metrics with new measures
- Using excessively promotional language
- Providing conflicting CEO and CFO explanations

Valuation Implications



BREAKWATER CAPITAL MARKETS

Capital markets and investor relations advisory elevating valuations, providing advanced investor intelligence, and optimizing executive decision-making and investor communications.

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