Financial Communication

Post chapter 1 &2 questions

- Students should have a clear understanding of Efficient Market Hypothesis : definitions, facts & critics and signal theory. It is a prerequisite to fully grasp the paradox of communication in an efficient market.

The paradox of communication in an efficient market

- Back to basics: what is the use of communication if the market is efficient ?
- Question about Fama and the 3 forms of market efficiency
- Students opinion Survey : Who believes in market efficiency?
- Does communication have the power to influence the market ?

The paradox of communication in an efficient market

- If investors are supposed to be well informed, why bubbles can happened ?
- What is the use of communication if everything is already in the price ?
- Why do a few investors outperform the market ?

Chapter 3 : Communicating with the market

Real or not, market efficienty isn’t magic but is the result of market actors action, among them money managers and analysts.

- « Think like an analyst »
- What is consensus ?
- 6 Best Practices for Merger and Acquisition Communication (Source : Lindsay Auer, Aug. 13 2015, www.standingpartnership.com)

« Think like an analyst »

Think Like an Analyst

1-Day Developing Skills

Learn to look through the eyes of one of your key target audiences. Find out how analysts think, how they build their models and what pushes their buttons. This course will put you in the shoes of an analyst so that you can see things from their perspective. Exercises include a team forecasting competition, interpreting how guidance affects an analyst's model and identifying the key assumptions in consensus.

Who Should Attend?

This course is designed for anyone who deals with the sell-side as part of the company's financial communications. We will assume that you have taken Finance Essentials or have the equivalent knowledge. Participants tend to come from a mixture of financial and non-financial backgrounds and this course provides something for everyone.

OUTCOMES

- Understand the role of the sell-side, primary tasks, sources of information and perspectives
- Appreciate the how analysts do their job – from identifying the value drivers, through to forecasting and model building, valuing the business and making a recommendation
- Be able to translate this into lessons for IR on how best to communicate with and influence analysts on both the sell-side and the buy-side

BOOK NOW FULL DETAILS PDF

- This is an example of a training provided by Finance Talking

Source : https://www.financetalking.com/

« Think like an analyst »

- "Learn to look through the eyes of one of your key target audiences. Find out how analysts think, how they build their models and what pushes their buttons. This course will put you in the shoes of an analyst so that you can see things from their perspective. Exercises include a team forecasting competition, interpreting how **guidance** affects an analyst's model and identifying the key assumptions in **consensus**"

« Think like an analyst »

WHAT YOU WILL LEARN

The Big Picture

- Setting the scene – understanding your investor base
- The role of analysts in today's capital markets
- Sell-side and buy-side – similarities and differences
- Primary tasks of an equity research analyst
- Analyst perspectives, pressures and typical characteristics
- How analysts make money
- Sources of information and how it is organized
- How you can help

Identifying Value Drivers

- Understanding industry structures and peer group identification
- Analyzing capacity and demand – the importance of historical analysis
- Identifying the food chain – suppliers and customers
- Critical factors that impact earnings, cash flows and/or returns
- Key questions you need to be able to answer on strategy

Forecasting and Model Building

- Typical models
- How analysts forecast and the role of guidance
- Special factors for cyclical or growth companies
- Red flags
- Sensitivity analysis
- Understanding the key assumptions in consensus
- Key questions you need to be able to answer on the financials
- Understanding price targets and recommendations

Lessons for Communications with Analysts

- Key influencing skills – understanding what's in it for them and what are their concerns
- The role of non-verbal communications (including body language)
- Implications of Reg FD
- Tactics to encourage a following
- Top tips for IR and for senior management

Source : https://www.financetalking.com/

What is a Consensus Estimate ?

- A consensus estimate is a figure based on the combined estimates of the analysts covering a **public company.** Generally, analysts give a consensus for a company's **earnings per share** and revenue; these figures are most often made for the quarter, fiscal year and next fiscal year. The size of the company and the number of analysts covering it will dictate the size of the pool from which the estimate is derived.
- When you hear that a company has "missed estimates" or "beaten estimates", these are references to consensus estimates. Based on projections, models, sentiments and research, analysts strive to come up with an estimate of what the company will do in the future.
- Obviously, consensus estimates are not an exact science. This leads some market pundits to believe that the market is not as efficient as often purported, and that the efficiency is driven by estimates about a multitude of future events that may not be accurate. This might help to explain why a company's stock quickly adjusts to the new information provided by quarterly earnings and revenue numbers when these figures diverge from the consensus estimate.

Source : Investopedia

Financial Model Example

SUM =E26

	A	B	C	D	E	F	G	H	I
10			**Income Statement**						
11				Actual	Projected Annual Forecast				
12				**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
13				6/30/08	6/30/09	6/30/10	6/30/11	6/30/12	6/30/13
14			Total Revenues	51,407.0	54,234.4	56,946.1	59,508.7	61,889.0	64,364.6
15			Cost of goods sold	25,076.0	26,412.1	27,789.7	29,040.2	30,201.8	31,088.1
16			Selling, general, & administrative	16,504.0	17,083.8	17,596.3	18,150.1	18,566.7	19,373.7
17			**EBIT**	**9,827.0**	**10,738.4**	**11,560.1**	**12,318.3**	**13,120.5**	**13,902.8**
18			Interest expense	629.0	620.2	532.3	449.8	367.5	289.5
19			Nonoperating (income) / loss	(152.0)	(152.0)	(152.0)	(152.0)	(152.0)	(152.0)
20			Pretax income	9,350.0	10,270.2	11,179.7	12,020.5	12,905.0	13,765.3
21			Taxes	2,869.0	3,132.4	3,409.8	3,666.3	3,936.0	4,198.4
24			Net Income	6,481.0	7,137.8	7,769.9	8,354.2	8,969.0	9,566.8
25			Diluted shares outstanding	2,790.1	2,713.0	2,660.6	2,628.9	2,614.6	2,601.6
26			**Diluted EPS**	**$2.32**	**$2.63**	**$2.92**	**$3.18**	**$3.43**	**$3.68**
31									
32			**Projection assumptions**						
33			Revenue growth (%)		5.5%	5.0%	4.5%	4.0%	4.0%
34			Gross profit margin (%)		51.3%	51.2%	51.2%	51.2%	51.7%
35			EBIT margin (%)		19.8%	20.3%	20.7%	21.2%	21.6%
202									
203			**Data tables**						
204									
205			**Display 2009 EPS based on various revenue growth assumptions (column) and EBIT margin assumptions (row)**						
206									
207							2009 EBIT Margin		
208				=E26	17.8%	18.8%	19.8%	20.8%	21.8%
209				6.5%					
210				6.0%					
211			2009 Revenue growth assumptions →	5.5%					
212				5.0%					
213				4.5%					
214				4.0%					
215									

- « L’analyste financier est-il de bon conseil ? », François Derrien & Christophe Perignon, Enjeux les Echos, 01/11/2010
- « EDF : pourquoi UBS recommande d’acheter l’action », Hubert Couëdic, Le Revenu, 26/10/2017
- There is also economic consensus ; see this example : https://fr.linkedin.com/pulse/consensus-macro-network-t1-2017-les-9-convictions-du-bsi-economics

Source : « EDF : pourquoi UBS recommande d’acheter l’action », Hubert Couëdic, Le Revenu, 26/10/2017

En hausse de 8% depuis le début du mois et de 24% depuis le début de l’année, l’action EDF remonte la pente petit à petit. Après Jefferies, il y a deux semaines, UBS, à son tour, repasse à l’achat sur l’action EDF. **Le courtier suisse vise désormais un objectif de cours de 14 euros contre 8,60 euros précédemment.**

Les analystes d’UBS jugent que le contexte est favorable pour l’action **EDF**. Mais pas seulement parce que la réforme des quotas d’émissions de CO2 en Europe est en cours de discussion.

Certes, EDF, fort de son statut de premier producteur européen d’électricité de base non carbonée, pourrait bénéficier de la hausse du prix de la tonne de CO2. Mais la réforme n’aura pas d’impact avant 2019 ou 2020.

À plus court terme, l’action du groupe dirigé par Jean-Bernard Lévy devrait surtout profiter de la hausse des prix de l’électricité.

Depuis le début de l’année, le contrat forward à un an sur la fourniture d’électricité de base en France a grimpé de 7 à 8 euros par MWh pour 2017 et de 4 à 5 euros pour 2018 et 2019. Compte tenu de la **sensibilité du bénéfice net par action d’EDF à la hausse des prix, UBS estime que 1 euro d’augmentation du prix de l’électricité entraîne une hausse de 9,5% du bénéfice net par action d’EDF.**

En Europe, seul RWE fait mieux avec un rapport de 12,8%. Par ailleurs, UBS souligne dans cette étude publiée le 24 octobre, la sous-estimation par le marché de la valeur d’Enedis, la filiale de distribution du groupe.

À 11 euros par action EDF, Enedis aurait une valorisation équivalente à 8,5 fois son excédent brut d’exploitation (Ebitda) alors qu’elle devrait être de 10. Même à ce niveau, ce multiple ferait encore apparaître une décote de 17% par rapport à la valeur des réseaux régulés européens.

Enfin, la hausse des taux d’intérêt pourrait, le cas échéant, réduire les engagements du groupe en matière de retraite grâce à l’augmentation du taux d’actualisation. Selon UBS, un gain de 60 points de base en France et de 10 points au Royaume-Uni permettrait de réduire de 2,8 milliards d’euros les engagements nets d’EDF. Ce qui correspond à peu près à 1 euro par action.

EDF ; monthly ; 2014-2020

Source : Investing as of 15/11/2020

What is a Consensus?

Example: consensus on Total on Boursorama as of 30/10/2017

Objectif de cours dans 3 mois au 30/10/2017

50.04 EUR

Soit un potentiel de :

5.86 %

Cours indicatif de : 47.270 EUR

Note médiane* des analystes au 30/10/2017

1.85

Renforcer

Évolution des recommandations

Opinions (nb d'analystes)	Il y a 3 mois	Il y a 2 mois	Il y a 1 mois	Il y a 7 jours	Le 30/10/2017
Acheter	18	19	17	18	18
Renforcer	**4**	**3**	**3**	**3**	3
Conserver	13	12	14	13	13
Alléger	1	1	1	0	0
Vendre	0	0	0	0	0
Nb d'analystes	36	35	35	34	34 =
Note médiane	1.92	1.86	1.97	1.85	1.85
Historique des objectifs	50.00	49.08	50.00	50.00	50.04

Cabinets d'analystes ayant suivi cette valeur au moins une fois cette année : ABN Amro Bank, AlphaValue, Banco Sabadell, Bernstein Research ...

Suite

Révisions sur 75 jours

↑ Reco. revues à la hausse :	2
= Reco. inchangées :	29
↓ Reco. revues à la baisse :	3

Accès au top consensus du secteur PÉTROLE ET GAZ

Accès au top consensus Paris

Cliquez ici pour consulter les prévisions détaillées »

* : Un consensus est une moyenne ou une médiane des prévisions ou des recommandations faites par les analystes financiers. Factset JCF préconise l'utilisation de la médiane des estimations plutôt que de la moyenne. La moyenne présente en effet l'inconvénient d'être sensible aux estimations extrêmes d'un échantillon, inconvénient auquel échappe la médiane. La médiane est donc l'estimation la plus généralement retenue par la place financière.

Source : http://www.boursorama.com/bourse/actions/conseils/consensus/consensus_analystes.phtml?symbole=1rPFP

Consensus TOTAL -
Liste des cabinets d'analystes :

- ABN Amro Bank
- AlphaValue
- Banco Sabadell
- Bernstein Research
- BMO Capital Markets
- Canaccord Genuity
- CM-CIC Market Solutions
- Cowen & Company
- Deutsche Bank Research
- Evercore ISI
- Hamburger Sparkasse
- Investec Securities
- Jefferies
- Kepler Cheuvreux
- Landesbank Baden-Württemberg
- Liberum
- Mirabaud Securities
- Mirae Asset Securities
- Morningstar Equity Research
- Natixis
- Nomura Research
- Oddo Securities
- Piper Jaffray
- Raymond James Euro Equities
- RBC Capital Markets
- Redburn (Europe) Limited
- Santander GCB
- Scotia Howard Weil
- Simmons & Co International
- Societe Generale
- SpareBank Markets
- Tudor Pickering Holt & Co.
- Value Investment Principals Ltd
- VTB Capital Research

What is a Consensus?

What is a Consensus?

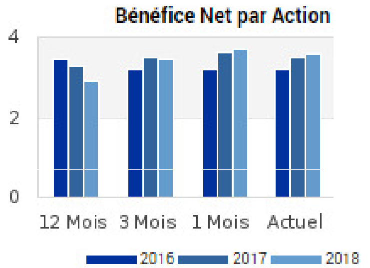
Prévisions de bénéfices au 30/10/2017

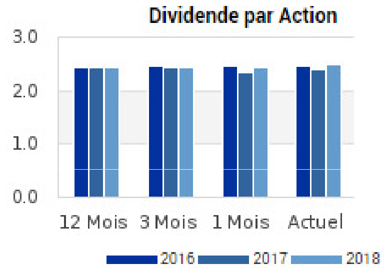
	Réalisé 2016	Estimation 2017	Estimation 2018
Bénéfice Net par Action	3.20 EUR -24%	3.50 EUR +10%	3.60 EUR +3%
PER [1]	14.79 +27%	13.49 -9%	13.13 -3%

Prévision de dividendes au 30/10/2017

	Réalisé 2016	Estimation 2017	Estimation 2018
Dividende net par action	2.46 EUR	2.40 EUR	2.50 EUR
Rendement [2]	5.20 %	5.08 %	5.29 %

Evolutions des prévisions





Prévisions de résultats au 30/10/2017 (en EUR)

	Réalisé 2016	Estimation 2017	Estimation 2018
Chiffre d'affaires (En millions)	140 412 +6%	124 616 -11%	133 117 +7%
EBITDA [3] (En millions)	19 197 -15%	22 079 +15%	24 353 +10%
EBIT [4] (En millions)	7 719 -30%	10 528 +36%	11 851 +13%
Dette Financière Nette [5] (En millions)	28 335 +12%	20 184 -29%	20 229 +0%
Actif Net par Action [6]	38,2 +3%	37,3 -2%	38,2 +3%
Cash Flow par Action [7]	6,74 -14%	7,30 +8%	7,92 +8%

Accès au top consensus du secteur PÉTROLE ET GAZ

Accès au top consensus Paris

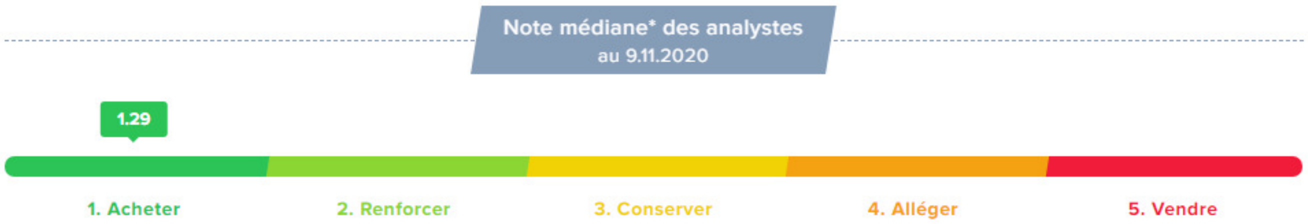
What is a Consensus?

OBJECTIF DE COURS

OPINION	IL Y A 3 MOIS	IL Y A 2 MOIS	IL Y A 1 MOIS	IL Y A 7 JOURS	LE 9/11/2020
1. Acheter	**21**	**21**	**21**	**20**	**20**
2. Renforcer	2	2	1	1	1
3. Conserver	1	1	3	3	3
4. Alléger	0	0	0	0	0
5. Vendre	0	0	0	0	0
Nombre d'analystes	24	24	25	24	24
Note médiane	1.17	1.17	1.28	1.29	1.29
Historique des objectifs de cours médian (en EUR)	**39.89**	**41.50**	**41.74**	**40.85**	**39.99 EUR** Potentiel : 22.50%

Liste des cabinets d'analystes ayant suivi la valeur au moins une fois dans l'année : ABN Amro Bank, AlphaValue, Banco Sabadell, Banco Santander, Berenberg, Bernstein Research, BMO Capital Markets, Boston Energy Research LLC, CIC Market Solutions (ESN Partnership), CM-CIC Market Solutions, CM-CIC Market Solutions (ESN Partnership), Cowen & Company, Credit Suisse, Deutsche Bank Research, Evercore ISI, Jefferies, Mainfirst Bank AG, Oddo BHF Corporates & Markets, Piper Jaffray, Piper Sandler Companies, Raymond James Euro Equities, RBC Capital Markets, Santander CIB, Scotiabank GBM, Societe Generale, SpareBank 1 Markets, SpareBank Markets, Wolfe Research

NB : certains bureaux d'analyses ont souhaité conserver l'anonymat



*Un consensus est une moyenne ou une médiane des prévisions ou des recommandations faites par les analystes financiers. Factset JCF préconise l'utilisation de la médiane des estimations plutôt que de la moyenne. La moyenne présente en effet l'inconvénient d'être sensible aux estimations extrêmes d'un échantillon, inconvénient auquel échappe la médiane. La médiane est donc l'estimation la plus généralement retenue par la place financière.
Le présent consensus est fourni par la société FactSet Research Systems Inc et résulte par nature d'une diffusion de plusieurs opinions d'analystes. Il est rappelé qu'en aucune manière BOURSORAMA n'a participé à son élaboration, ni exercé un pouvoir discrétionnaire quant à la sélection des analystes financiers. A toutes fins utiles, les opinions de chaque analyste financier ayant participé à la création de ce consensus sont disponibles et accessibles via les bureaux d'analystes.

Exemple: consensus sur l'action Total publié sur Boursorama le 09/11/2020

Source : https://www.boursorama.com/cours/consensus/1rPFP/

Situtations when communication is important

- Significative spread between results and consensus
- Crisis : crisis communication in short : tell the truth, all the truth
- Merger & Acquisition : 1) convince shareholders 2) reassure employees

6 Best Practices for Merger and Acquisition Communication

1. Storytelling

- *"Connect to stakeholders on an emotional level by making the M&A story quick, relevant and memorable." –* ***Scheibel Halaska & Mertz Associates, Inc.***
- Tell a story. It is important for all audiences to understand why you're merging or acquiring, so define your messaging as soon as possible. Doing so helps dispel rumors and keep morale high, as well as explain how customers benefit and why it makes financial sense. This also involves understanding what parts of each company you'll keep and integrate into the new company.
- When developing a story behind "why" the companies are merging, consider what these audiences and stakeholders will need to hear:
- **Employees of both companies**
- Customers
- Partners
- Media
- **Stakeholder engagement** will be an important element to ensuring these audiences are on board with the decision by understanding the strategy behind it and how it will impact them.

6 Best Practices for Merger and Acquisition Communication

2. Timing (and coordination) are critical

- *"Create a plan that is aggressive, yet realistic to accomplish. Integrate multiple moving parts with clear plans and active cross-functional communications."* – **IBB Consulting**
- Develop a timeline and action plan for your merger and acquisition communication. The action plan should include the coordination of communications efforts for both the acquiring company and the company being acquired. It will also include assigned roles and responsibilities. A timeline will ensure you communicate various milestone dates in the process and don't miss deadlines promised to key stakeholders.

6 Best Practices for Merger and Acquisition Communication

3. Prepare for leaks

- *"People have an almost insatiable desire for information, and misinterpretation and rumors are very common." –* ***Quality for Business Success***
- Develop a **leak strategy**. Despite your best attempts to keep the information contained, often times the news of potential M&A activity will get out amongst your key audiences and stir up rumors. With a strategy in place, you'll be prepared for the worst-case scenario and how to manage it. This strategy can include advance preparation of messaging and template materials, such as news releases, spokesperson statements and customer emails.

6 Best Practices for Merger and Acquisition Communication

4. Arm your managers

- *"An employee's most trusted source of information is their line manager."* – ***Towers Watson***
- Engage trusted employees. Keep managers and HR representatives well-informed of all information through your merger and acquisition communication plan. These are the people employees will often turn to when they have questions. If buy-in and engagement is secured early on from manager-level employees, they will be equipped to positively represent the topic, and immediately address any issues or concerns, when asked. Often times managers receive little education on what to say, and just as importantly, <u>what not to say</u>.

6 Best Practices for Merger and Acquisition Communication

5. Answer questions openly

- *"Answer 'me' questions first. Once people know how jobs, pay or work environment will be effected, they can focus on their work and activities that will further the integration." –**Workforce.com***
- Create an FAQ. Many questions will arise from across your stakeholder groups. Start a Q&A document to update throughout the process, addressing questions from employees, customers, partners, media, etc. Even if you don't yet have the answer, have a response about the status, or when you will know more. It will reduce confusion and uncertainty. A master FAQ will also ensure that language is consistent across executives and managers, which is important for delivering the agreed upon messaging and story.

6 Best Practices for Merger and Acquisition Communication

6. Think past the "deal"

- *"Over communicate all aspects of the merger or acquisition. This is a stressful time and people often need to receive information several times and by several different means before they truly 'hear' it." –* ***Workforce.com***
- Communicate, then do it again. <u>It is impossible to over-communicate during a merger or acquisition</u>. Misinterpretations and rumors are very common. It is important to share information and updates on a regular and consistent basis. Also, vary your communication type to reach all audiences and keep them engaged: hold meetings, utilize the corporate intranet and website, write in the company newsletter, send printed information home, etc.
- A few other items to consider are to plan early, form a core (and cross-functional) team from across any impacted functions, and to engage outside counsel. M&A can be an emotional time, so it's important to bring in external, neutral third-party experts to offer perspective. It also offers additional support for the core team to facilitate and guide momentum, as well as minimizes the risk of a leak.
- What are other strategies or tactics you've found helpful when your company merged with or acquired another company? How did you make it successful?

Cas pratique : Story Telling de l'introduction en bourse de la Française des jeux

Source :

Publicité pour l'introduction en Bourse sur Boursorama : https://www.boursorama.com/bourse/actualites/introduction-la-francaise-des-jeux-entre-en-bourse-0c2d5ed1150a68ca83216458f594e71a
Commentaire : la pub montre des mutilés de guerre car historiquement les gains de la loterie leur étaient affectés, sous entendu « non le jeux ce n'est pas forcement mal ».

Le site officiel de l'introduction en bourse n'est plus disponibles ; les documents sont disponibles ici : http://www.alexisnass.com/document-de-lintroduction-en-bourse-de-la-francaise-des-jeux-novembre-2019/

Cas pratique : l'introduction en bourse de la Française des jeux, dialogue avec mon beau frère

Appel de mon beau frère (le mari de la sœur de ma femme) : « faut il acheter ? »

Réaction : « Je ne peux pas répondre avant d'avoir fait une analyse ! »

Après analyse : « ca va rapporter du 3,5% / an »

Réponse : « j'ai vu une vidéo sur internet où un monsieur dit que va baisser après l'introduction, donc je ne prend pas. »…

La vidéo en cause : https://www.youtube.com/watch?v=cPI4zWClaOo

….« de plus c'est pour le PEA de ma femme »

Ma réaction : « ha ok donc si c'est pour la sœur de ma femme je n'ai pas intérêt à insister car si ca se passe mal il pourrait y avoir un retour négatif pour moi. Analyse de risque : downside possible, upside incertain => laisser tomber ».

Cas pratique : l’introduction en bourse de la Française des jeux : une analyse à Postériori

Était il possible de prévoir la hausse de 14% (de 19,90 € à 22,70€ en clôture , voir de +20% de 19,90€ à 23,95€ au plus haut en séance) ?

Soyons honnête : non ; si on base uniquement sur l’analyse financière, qui prévoyait un rendement de 3,5%.
L’analyse historique ne nous dit pas grand-chose, certains privatisation ont rapportés : ASF, GDF (+20% le 1er jour), d’autres pas EDF (+0% le 1er jour).

Mais oui, si on se basait sur la théorie du signal : le rendement de 3,5% n’est pas attrayant en soit (pas pour mon beau frère) mais attrayant pour les investisseurs institutionnels, qui ont massivement sursouscrit l’offre, jusqu’à 10 fois.
Le prix a été fixé en haut de la fourchette.
L’environnement actuel de taux d’intérêt très bas a permis ce succès : TINA (There Is No Alternative)