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Stock Market Reactions to Long-Term Plans Measured for First Time
Quantifies market reaction in returns, volume of trades;
Higher-quality long-term plans, larger reaction

November 28, 2018, New York, NY— Institutional investors act when they hear how companies will create value over the long-term. In a new study, [*The Economic Significance of Long-Term Plans*](#) published by [KKS Advisors](#) and [CECP's Strategic Investors Initiative \(SII\)](#), an abnormal change in market returns and an increase in trade volume is observed after that company's CEO presented a long-term plan to institutional investors. This is the first time the reaction to a CEO-presented long-term plan has been quantified and is early evidence that the audience of institutional investors find the information in these presentations decision-relevant.

"This research answers the question 'If a CEO presents a long-term plan, do investors care?', said **George Serafeim**, Professor of Business Administration at **Harvard Business School**, co-founder of **KKS Advisors**, and a co-author of the study. "The evidence from this research demonstrates that investors value the information in these plans, giving CEOs further incentive to create and disclose high-quality long-term plans. This will help mobilize capital markets and reorient them for the long-term."

The study examined 21 plans presented by CEOs at CEO Investor Forums, scored the CEO presentations against 22 measures of content and quality, and examined the market's reactions over a three- to five-day window after the plans were presented. For both stock prices and trading volumes, the delivery of long-term plans is associated with **abnormal market returns of 1.83% and share turnover (volume) of 7.6%**. Companies whose senior leaders communicated plans with **higher-quality information are linked to larger capital market reactions**. The data did not show significant difference in analyst revisions of their forecasts, which the authors note is consistent with sell-side analysts being primarily focused on short-term financial results.

"CECP launched the Strategic Investor Initiative because investors said CEOs are too short-term oriented and 86% of CEOs agreed," said **Daryl Brewster, CEO, CECP: The CEO Force for Good**. "They wanted a platform to reach long-term investors. For CEOs who want to attract investors versus merely traders, CECP now has a proven platform to tell their long-term story."

The presentations included in the study were delivered at SII's **CEO Investor Forums**, which provides a platform for CEOs to tell their authentic long-term value story to long-term institutional investors. In addition to the 9 themes in the study, successful long-term plans also draw from the 7 question in the Strategic Investor Initiative's [Investor Letter](#) to CEOs signed by Vanguard and other leading institutional investors. More than 30 CEOs and senior leaders have delivered or committed to deliver their company's long-term plans at the Forums. Together these CEOs represent more than \$2 trillion in market capitalization. The in-person audience for these presentations include institutional investors that represent more than \$25 trillion in assets under management, as well as thousands who view the presentations live online.

According to the authors of the report, to deliver a high-quality long-term plan, CEOs should touch upon the 22 topics summarized in 9 themes: **Financial performance, Capital Allocations, Trends, Competitive positioning, Risk and opportunities, Corporate governance, Corporate purpose, Human capital, and Long-term value creation**. Plans that detailed forward-looking metrics on these subjects were rated higher than plans that disclosed backward looking data or were limited to boilerplate language.

"The nine themes developed in this white paper offer a framework for CEOs to use in developing their long-term plans," said **Brian Tomlinson**, Research Director, Strategic Investor Initiative, CECP. "The CEOs who have led the charge at our CEO Investor Forums have created a robust portfolio of long-term plan presentations. This research project provides a user-friendly guide to enable more CEOs to develop and present decision-relevant long-term plans." Tomlinson co-authored the report along with **Serafeim** and the KKS Advisors team that included **Sakis Kotsantonis**, Managing Partner; **Christina Rehnberg**, Associate Consultant; and **Bronagh Ward**, Senior Associate Consultant.

The team will present the paper during **an upcoming webinar** to be held in partnership with **FCLTGlobal** and **Ceres** at 12:00 p.m. - 1:00 PM (ET), **November 28, 2018**. The webinar is free:

<https://www.kksadvisors.com/sustainability-webinars>

The next **CEO Investor Forum** will take place on **February 25, 2019** at the Park Hyatt in New York City and will feature long-term plan presentations from **Steve Collis**, CEO **AmerisourceBergen**; **Robin Hayes**, CEO, **JetBlue**; **Mark Schneider**, CEO, **Nestlé**; and **Peter Van Camp**, Executive Chairman of **Equinix**. Early access pricing of \$595 is available until December 31, 2018 and the \$795 full-price tickets are available until the event reaches capacity. Investors are encouraged to register in advance by [clicking here](#) or referring to SII's site: cecp.co/SII

The *Economic Significance of Long-Term Plans* report is available for free on KKS Advisor's web site <https://www.kksadvisors.com/publications/> and on SII's web site cecp.co/SII

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ABOUT CECP: THE CEO FORCE FOR GOOD

CECP is a CEO-led coalition that believes that a company's social strategy — how it engages with key stakeholders including employees, communities, investors, and customers — determines company success. Founded in 1999 by actor and philanthropist Paul Newman and other business leaders to create a better world through business, CECP has grown to a movement of more than 200 of the world's largest companies that represent \$11.3 trillion in revenues, \$23.8 billion in societal investment, 17.4 million employees, and \$15 trillion in assets under

management. CECP helps companies transform their social strategy by providing customized connections and networking, counsel and support, benchmarking and trends, and awareness building and recognition.

ABOUT THE STRATEGIC INVESTOR INITIATIVE

The **Strategic Investor Initiative** (SII) is a coalition of leading companies and investors committed to re-orienting capital markets toward the long-term. SII convenes **CEO-Investor Forums** to provide a venue for CEOs to share their long-term strategic plans with audiences of long-term investors. Through leading research, SII assists companies in developing and communicating long-term plans that help inform the decisions of institutional investors.

ABOUT KKS ADVISORS

At KKS, we advise leading organizations on bold and effective strategies that pave the way to a sustainable society. Formed with the vision to reshape markets, we enable clients to create long-term value through the integrated management of environmental, social and governance factors. Applying our unique, research-backed approach, we work with corporations, foundations, NGOs and investors on sustainable strategies that deliver lasting impact. For more information, visit www.kksadvisors.com