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Four key CEO practices can increase corporate value, S&P Global Market Intelligence report finds

Study finds top CEO management practices include favoring profitability over growth, a selective M&A policy, return of cash to shareholders, and insider stock ownership

NEW YORK, Oct. 19, 2020 /PRNewswire/ -- A new research study published by S&P Global Market Intelligence's Quantamental Research group titled, *Sweet Spots in the C-Suite: Executive Best Practices for Shareholder Friendly Firms*, highlights four types of executive policy that drive corporate value. The four key executive policies include profitability vs. growth decisions, mergers & acquisitions (M&A) policy, return of cash to shareholders, and insider stock ownership. These policies can serve as a checklist for stakeholders to determine whether a CEO is likely to increase corporate prosperity.

"Businesses are reassessing their strategies to ensure resilience in a time of uncertainty, and our research finds specific management practices can serve as guidelines for shareholder value generation in this new post-pandemic world," said **David Pope, Managing Director of Quantamental Research at S&P Global Market Intelligence**. "Leveraging our unique datasets coupled with deep quantitative research analysis, our findings demonstrate empirically how specific best practices can result in increased corporate value over time."

Key highlights of the report include:

- **Successful companies balance growth and profitability.** Companies that grow assets too quickly tend to underperform due to resulting operational and financial difficulties. In contrast, slow-to-moderate asset growth companies perform best over time as managers of such companies pursue growth until it is no longer profitable and then return cash to shareholders.
- **Insider stock purchases are beneficial as they signal to investors that management is confident in both a company's prospects and its current valuation.** Net insider buys are treated positively by the market, and the larger the purchase, relative to market cap, the larger the market response, in terms of excess returns over time.
- **Large mergers and acquisitions often negatively impact growth, profitability, and returns, sometimes for years after the change.** The study found that smaller M&A transactions done with cash by financially disciplined companies (e.g. buying back shares, avoiding serial acquisitions) tend to be more successful than larger stock deals.
- **Pursuing strategies that return cash to shareholders is often rewarded by investors.** Share buybacks and dividend increases result in positive excess returns as they signal good financial health and prospects, while dividend cuts and cancellations lead to sharp underperformance.

Developed by S&P Global Market Intelligence's Quantamental Research team, the study analyzed datasets available through Xpressfeed™ such as Compustat Point-in-Time Fundamentals, Capital IQ Estimates, and Professionals Data. This report is now available on the S&P Global Marketplace and other flagship products including the Market Intelligence platform and S&P Capital IQ.

To access the full report, please contact pressinquiries.mi@spglobal.com.

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business and financial decisions with conviction.

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