

**Disclosure of Management Guidance in Conference Calls:
Materiality, Determinants, and Consequences**

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ABSTRACT

The SEC advises firms to release all material information in their earnings announcement press release before their corresponding conference call. Until May 2009, the NYSE went further by explicitly prohibiting the disclosure of new material information in a conference call. However, we document that the S&P 500 firms, including those that are NYSE-listed, disclose a non-trivial amount of management guidance *exclusively* in their conference calls. Firms in challenging forecasting environments rely more on the conference call, probably because the call enables managers to “flesh out” the guidance. In contrast, firms with relatively low investor visibility and high litigation risk rely less on the conference call, likely due to regulatory concerns. Finally, after controlling for the information released at the earnings announcement, we find greater magnitudes of analyst forecast revisions for firms that provide relatively more management guidance exclusively in their conference call. Collectively, our findings highlight the emerging use of non-traditional disclosure channels.

Keywords: conference calls, management guidance, disclosure venue, trading volume, analyst forecast revision.

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1. Introduction

Today almost all large firms voluntarily host a conference call after an earnings announcement. The vast majority of these conference calls begin just hours after the issuance of the corresponding earnings announcement press release (hereafter, “press release”).¹ Due to the close timing of the press release and the conference call, firms not only determine the total amount of information they will disclose at the time of the earnings announcement, they also choose the disclosure venue. As detailed below, the SEC and the New York Stock Exchange (NYSE) both have stated positions that disclosing information exclusively in a conference call is potentially detrimental to investors because the narrowness of the conference call’s immediate audience may cause uneven information dissemination. Yet in this study we document that firms disclose a substantial amount of material management guidance exclusively in the presentation portion of the conference call. We thus examine the motives for firms to provide incremental guidance in the conference call and the effects of disclosure venue on the forecast revision behavior of analysts, who represent a primary target audience of the conference calls.

Regulation Fair Disclosure (Reg FD) aims to “level the playing field” among investors by prohibiting selective disclosure. The SEC deems the traditional practice of distributing a press release through a broadly disseminated wire service (or filing a Form 8-K) as satisfying “public disclosure.” In addition, Reg FD permits disclosure disseminated via a conference call

¹ In our sample, the mean (median) number of minutes from the time stamp of the press release to the initiation of the conference call is 248 (122). Likewise, Frankel et al. (1999) find that the mean number of minutes in their sample between the press release and conference call initiation is 220.

alone, but only when: 1) the firm provides advance notice of the event to the public, 2) the public can listen to the event live through Internet webcasting or by phone, and 3) the conference call achieves “broad and non-exclusionary distribution of information to the public” (SEC 2000). With respect to the third criterion, Reg FD emphasizes that the firm is responsible (and liable) for this assessment.

Reg FD, however, discourages firms from making material disclosures exclusively in a conference call. Instead, it suggests this model for disclosure of information at the time of the earnings announcement: 1) first, disclose *all* material information in a press release, and 2) second, having provided investors adequate advance notice, host the conference call (see Appendix A). Along the same lines, the National Investor Relations Institute (NIRI) states it is “strongly advisable” that any material information released in a conference call also be disclosed in a press release.^{2,3} In fact, Louis Thompson, CEO of NIRI, opined in an interview soon after Reg FD became effective that a conference call does not, on its own, achieve sufficient public disclosure (Caplan 2001).

In addition to SEC oversight, firms are subject to the disclosure regulations of their listing exchanges. Section 202.06(C) of NYSE’s *Listed Company Manual* outlines the exchange’s “Timely Alert Policy”. Until May 2009, the Timely Alert Policy explicitly *prohibited* NYSE-listed firms from disclosing non-public material news in a conference call before first releasing the information in a press release (See Appendices B and C). Thus, until the recent

² See http://www.niri.org/irresource_pubs/faq.cfm#1d

³ While Reg FD requires a firm to issue a Form 8-K if it discloses material information, conference calls are exempt from the 8-K filing requirement if 1) the firm files a Form 8-K for the corresponding press release, 2) the conference call occurs within 48 hours of the press release, 3) the firm announces the conference call’s date and time before the call and the conference call is publicly accessible, 4) financial and statistical information presented in the conference call is posted on the firm’s website. We find that among the 50 firms in our sample with the highest intensity of management guidance in their conference calls, only one firm files a Form 8-K for its conference call.

change in the Timely Alert Policy, NYSE-listed firms had even greater motivation, relative to non-NYSE firms, to avoid making material disclosures exclusively through their conference calls.^{4,5}

In this study, we first establish that firms make new disclosures exclusively in conference calls by using management guidance as the disclosure setting. To operationalize the analysis, we quantify the level of management guidance disclosed in the press release and incremental (unique) management guidance disclosed in the conference call.⁶ Any incremental disclosure that a firm makes in the presentation portion of its conference call stems from an intentional choice because the call's presentation portion is read from a prepared script. On its face, purposely disclosing new material information in the presentation portion of a conference call should be unusual because firms issue the press release, regulators' preferred disclosure medium, just a few hours before the conference call begins. Thus, firms can easily disclose all management guidance from their prepared conference call script in the press release *first* to ensure complete regulatory compliance. Interestingly, though, we find that the S&P 500 firms, including those listed on the NYSE, release a substantial amount of financial guidance *exclusively* in the presentation portion of their conference calls.

A possible explanation for firms making incremental disclosures in the conference call is

⁴ For their parts, the NASDAQ and AMEX exchanges only require listed companies to meet Reg FD's disclosure standards.

⁵ The NYSE reiterated its press-release-only policy as recently as January 2009 (see Appendices B and C). On May 8, 2009, however, it amended its Listed Company Manual to permit dissemination of material information "by any Regulation FD compliant method." The NYSE stated that the policy change was designed to reduce confusion stemming from differing NYSE and the SEC disclosure requirements. Despite no longer mandating the use of press releases for disclosure, the NYSE maintains that it "...continues to believe that there are benefits to the market and investors generally if companies issue press releases when disclosing material information..." and it "encourages listed companies to comply with the immediate release policy by issuing press releases." This study's sample time period predates the NYSE policy change.

⁶ We find that the sample firms release only a trivial amount of management guidance *only* in the press release. That is, firms almost always disclose guidance either in their press release *and* conference call, or in their conference call alone.

that the management guidance firms release exclusively in the conference call simply is not important information. We thus investigate whether the new management guidance in the conference calls is material. Existing case law defines materiality as information that a “reasonable investor” would consider sufficiently important to change the mix of total available information. Hence, a finding that actual trading is associated with a set of information is *prima facie* evidence of materiality. Indeed, we find that the level of management guidance disclosed exclusively in the conference call is positively associated with both price movement and abnormal trading volume during the 30-minute window measured from the initiation of the conference call. This result holds for the entire sample of S&P 500 firms and the subsample of NYSE-listed firms.

Having ascertained the materiality of the management guidance disclosed in conference calls, we next examine firms’ determinants for relying on the conference call for disclosure. Regulatory and legal compliance are primary costs of exclusive conference call disclosure. To comply with Reg FD, a conference call containing new material information must achieve “broad, non-exclusionary distribution of information.” Firms whose shares enjoy high levels of average trading volume should enjoy high investor visibility and, likewise, have conference calls that are relatively closely followed by the investment community. We thus expect that *less* visible firms incur greater regulatory risk from relying on the conference call for new disclosures. Consistent with this expectation, we find that the proportion of the total earnings announcement guidance that a firm discloses exclusively in the conference call is significantly and positively associated with the firm’s average share turnover. Additionally, we find that firms in high-litigation-risk industries provide a smaller proportion of guidance exclusively in the conference call, which suggests that heightened litigation cost (and likely, by extension,

regulatory compliance cost) leads firms to not rely on the conference call venue for disclosure. We find no evidence, however, that NYSE firms provide a smaller proportion of their guidance in conference calls than non-NYSE firms.

While potential costs associated with disclosing guidance exclusively in a conference call are fairly clear, corresponding benefits are not as obvious. That firms disclose new guidance in their conference calls, however, implies that benefits do exist. We find greater reliance on the conference call is associated with both higher magnitudes of realized earnings surprise and greater pre-earnings announcement analyst forecast dispersion for the forthcoming fiscal year. These results are consistent with firms in challenging information environments taking advantage of the conference call format to “flesh out” complex disclosures and to immediately field participants’ questions, perhaps particularly when managers are concerned about potential misinterpretation of their management guidance.

In our final set of analyses, we examine the consequences of disclosure venue. Analysts, a target audience of conference calls, may be more responsive to information disclosed in a conference call because Bamber and Cheon (1998) report that analysts prefer direct forms of communication from management over written statements. After controlling for the total amount of news released at the earnings announcement, we indeed find the magnitude of analysts’ forecasts revisions are positively associated with the proportion of guidance disclosed exclusively in the conference call.

This study makes three primary contributions. First, while prior literature documents that conference calls contain information (e.g., Frankel, Johnson, and Skinner 1999; Bowen, Davis, and Matsumoto 2002; Kohlbeck and Magilke 2002; Brown, Hillegeist, and Lo 2004; Irani 2004; Bushee, Matsumoto, and Miller, 2004; Kimbrough 2005), no previous study

pinpoints a specific type of disclosure that drives investors' trading during the conference calls. We identify that our sample firms provide a non-trivial amount of new management guidance in their conference calls. Though we do not believe that management guidance is the *only* material disclosure that firms make in conference calls, we find robust evidence that the guidance is a significant driver of trading during the conference call.

Second, we examine the largely unaddressed topic of disclosure *venue*. Bamber and Cheon (1998), the sole paper to explicitly address firms' choice of disclosure venue, find that firms are more likely to issue forecasts in a special press release when legal liability is higher and proprietary costs are lower. They do not, however, consider the conference call venue because conference calls were infrequent and typically not open to individual investors in their sample's 1981-1991 time period (Tasker 1998, Bushee, Matsumoto, and Miller 2003). We fill this gap by focusing on the conference call venue, which is now the second most important disclosure channel (NIRI 1996). Recent regulatory changes likely will lead to even more non-press release disclosures in the future. Our finding that managers already actively choose disclosure venue according to the news being announced is thus particularly pertinent.⁷

Third, we provide new evidence regarding how analysts respond to and incorporate management guidance in their earnings forecasts revisions. Prior work has documented that analysts' endowment (e.g., brokerage size (Clement 1999) and forecasting experience

⁷ Reg FD's original release explicitly prohibited firms from using their websites as a sole disclosure source of material information. However, in August 2008, the SEC issued interpretive guidance that firms may use their website exclusively for new disclosure if they first issue a "notice-and-access" press release. A "notice-and-access" press release provides the date, time, and exact URL of the forthcoming material disclosure, such as an earnings announcement. Moreover, the SEC's August 2008 statement states that, in principal, a firm need not even issue a "notice-and-access" press release if the firm's website qualifies as a "recognized channel of distribution" for investors to receive information about the firm. Given substantial ambiguity concerning what constitutes a website with "recognized channel" status, no firms have, as of this writing, used their websites for exclusive material disclosure. This study's sample time period predates the SEC interpretative release. See <http://www.sec.gov/rules/interp/2008/34-58288.pdf>

(Mikhail, Walther, and Willis 1997)) and incentives (e.g., investment banking relationships (Lin and McNichols 1998)) affect their forecasts, but few studies have examined the *process* by which analysts respond to new information. In this paper, we demonstrate that analysts' forecast revisions are systematically related to the disclosure channel through which new information is released. These results illustrate that venue choice is not innocuous, which is a finding of interest to regulators, investors, and academics.

The remainder of this paper proceeds as follows. We examine the amount of incremental guidance disclosed in conference calls in section 2. Next, we test the materiality of exclusive conference call guidance disclosure in section 3. We then explore the determinants of the conference call venue choice and its effects on analyst forecasts in section 4 and 5, respectively. We perform robustness checks in section 6 and conclude in section 7.

2. Sample and description of primary variables

The research setting of this paper is the disclosure of management guidance at the time of the earnings announcement. Prior literature establishes that management guidance is a highly important category of voluntary disclosure (e.g., Patell 1976; Penman 1980; Waymire 1984; Ajinkya and Gift 1984). In recent years, firms provide earnings forecasts more frequently at the time of the earnings announcement than in any other period (Anilowski, Feng, and Skinner 2007). Though earnings guidance is the most prominent item that firms forecast, they frequently forecast other financial statement line items as well, such as revenue, cash flow, and gross margin (NIRI 2009). We therefore collect *a comprehensive set* of financial management guidance—not just earnings guidance—disclosed in firms' press releases and the

presentation portion of firms' conference calls.⁸ As described below, we code 12 types of financial management guidance that are disclosed in the S&P 500 firms' fiscal year-end earnings announcement press release and the presentation portion of the conference call.

2.1 Data collection and measurement of management guidance intensity

We obtain the majority of the press releases from *Business Wire* or *PR Newswire*. For a small number of firms whose press releases are missing on these wire services, we search the company's website and its 8-K filings. We acquire almost all earnings announcement conference call transcripts from *FD (Fair Disclosure) Wire*. When a conference call transcript is missing on *FD Wire*, we search for the transcript on the company's website.

The labor-intensive hand collection required to identify and categorize the management guidance disclosed in firms' press releases and conference calls constrains the size of a potential sample. We therefore select the S&P 500 firms as our sample since this index represents leading companies in major industries and its companies account for approximately 75% of the total U.S. market capitalization. For all but 17 of the S&P 500 firms, we collect the management guidance from sample firms' 2005 fiscal year-end earnings announcement. For the 17 S&P 500 firms whose fiscal years end in April or May, we use the 2004 fiscal year-end earnings announcement, instead of the fiscal year 2005 earnings announcement, due to data availability at the time of data collection. (Note that, despite these 17 firms, hereafter we refer to our sample as the fiscal year 2005 earnings announcement sample and we refer to the forecast horizon as being fiscal year 2006.) We define fiscal year using the Compustat convention: fiscal years ending before June of year_t are considered "fiscal year_{t-1}," and fiscal

⁸ We limit analysis to the presentation portion of the conference call, which managers read from a prepared script. We do not directly consider the call's question-and-answer portion because management disclosure during this portion of the call is more likely to be reactive to the questions asked in the call. Hence, the question-and-answer portion is less indicative of managers' purposeful choice of disclosure venue.

years ending June and after are considered “fiscal year_t.”

We limit analyses to forecast items that have an annual horizon (i.e., forecasts of fiscal year 2006 at the time of the fiscal year 2005 earnings announcement) and forecast items that are point or range forecasts (referred to as “hard guidance”). We focus on the annual horizon, as opposed to the quarterly horizon, because quarterly guidance at the time of the earnings announcement has a remaining forecast horizon (“shelf life”) of only 1.5 to 2 months. Annual guidance has an approximate horizon of nine months, and is thus more likely to have material informational value, on average, to investors. We consider only hard guidance because qualitative guidance varies greatly in its informational value and managers themselves often do not consider it “guidance.”⁹ To this point, NIRI’s 2006 survey refers to “earnings guidance” as a point earnings per share (EPS) estimate, a range EPS estimate, or an earnings model (e.g., earnings growth estimate) provided by a company (NIRI 2006).¹⁰

We assign points to each disclosure category of management guidance (i.e., earnings, revenue, gross margin) based on our judgment of the informational importance of each disclosure type. Table 1 lists the disclosure types that we collect and their corresponding point assignments. The first category, “earnings,” includes both GAAP earnings and pro-forma earnings. We assign 10 points to earnings guidance, which is the highest point award. The “revenue” category, which carries nine points, includes both total sales revenue and

⁹ For example, Sara Lee Corporation announced a guidance policy change in its FY2006 Q4 earnings announcement press release, stating: “The company will no longer provide a specific forecast for quarterly earnings per share or other financial metrics, which is consistent with other leading consumer products companies and in line with management’s focus on long-term revenue and earnings growth.” However, in the same press release, the company also stated that it “also believes that year-over-year sales will increase in each quarter. Operating profit should be down slightly in the first quarter... Profit should be up in each quarter for the remainder of the year” (*Business Wire*, 8/8/2006).

¹⁰ Results from tests that incorporate “soft” guidance are similar to the primary results and all inferences remain unchanged. Refer to Section 6.1.

comparable store sales forecasts.¹¹ We code operating cash flows and free cash flows in the “cash flow” category with a value of eight points and we code capital expenditure forecasts with a value of seven points. “Gross margin” and “operating margin” represent key indicators of performance; we assign seven points to each of these two categories. The remaining categories carry four or three points. We adjust the point assignments, which are based on range forecasts, for the precision of the specific forecast. Specifically, we judge point forecasts to be more informative than range forecasts, so we add one additional point to point forecasts.¹²

We then create disclosure scores to capture the intensity of annual-horizon guidance in the press release and conference call venues. For each firm we compute a press release disclosure score, *PRSCORE*, and an incremental conference call disclosure score, *CCONLYSCORE*. All firms in our sample host their conference call only after they have issued the corresponding press release. Because this study’s focus is on disclosures made exclusively in the conference call, we measure the intensity of *all* guidance information disclosed in the press release, and then the amount of *new* information disclosed in the conference call. *PRSCORE* is the sum of points for the guidance items a firm discloses in its press release, while *CCONLYSCORE* is the sum of points for items that a firm discloses *exclusively* in its conference call.

For example, if a firm provides the same earnings forecast in both its press release and conference call, we assign 10 points to *PRSCORE* but no points to *CCONLYSCORE*. If the firm provides the earnings forecast only in its press release, we still assign 10 points to

¹¹ If a firm offers both GAAP and pro-forma (non-GAAP) earnings guidance, we retain only one forecast. Likewise, if a firm provides both total sales and comparable store sales forecasts, we retain only one forecast. If the precision of multiple earnings or revenue guidance differs, we retain the forecast with the higher precision.

¹² Results from tests that use simple frequency counts of guidance categories, instead of scores, are similar to the primary results and all inferences remain unchanged. Refer to Section 6.2.

PRSCORE but no points to *CCONLYSCORE*. However, if the firm provides the earnings forecast only in its conference call, we assign 10 points to *CCONLYSCORE* but no points to *PRSCORE*. Appendix D provides an example of the management guidance that a sample firm discloses in its press release and conference call.

2.2 Management guidance venue descriptive statistics

We begin with the S&P 500 firms as defined in the 2006 version of Compustat. The conference call transcripts of 31 firms are not available on either *FD Wire* or the firm's website. We exclude six observations in which the firm hosted a conference call more than 48 hours after the press release, since we deem such calls as not truly earnings announcement conference calls. We eliminate two firms that recently underwent a significant corporate event because management guidance is likely to be affected.¹³ We eliminate four observations because analyst forecast dispersion is missing for FY2005 Q4 and three more observations because forecast dispersion is missing for FY2006. The final sample size is thus 451, of which 381 are NYSE-listed firms.¹⁴

Table 2 reports disclosure frequencies by venue for each guidance category. The first column, “# PR”, is the count of disclosure frequency in the press release venue. The column “# CC Only” represents frequencies of guidance disclosures made exclusively in the conference call. The frequencies in the column “# Total” are the sums of “# PR” and “# CC Only”. The column “Both” is the percentage of the “# Total” category that is repeated in the conference call after first being disclosed in the press release.

Results in Table 2 indicate earnings and revenue guidance are the most frequent disclosure

¹³ SBC finalized its acquisition of (the former) AT&T on November 18, 2005. Viacom finalized its spin-off of (the new) Viacom on December 31, 2005.

¹⁴ While the total sample size is 451, the number of observations used in the different analyses varies according to data availability.

categories, unconditional of venue. Moreover, the frequencies in the “# PR” and “# CC Only” columns indicate a pattern of disclosure venue by category. Most firms providing earnings and revenue guidance do so in the press release: only 36 of 255 and 49 of 154 firms disclose earnings forecasts and revenue forecasts exclusively through the conference call venue, respectively. Unlike earnings and revenue, though, income statement expense items, cash flow, and capital expenditures are commonly presented exclusively in the conference call. For example, 37 of the 51 gross margin forecasts and 131 of the 188 tax expense forecasts are presented only in the conference call. The column “Both” indicates that when a firm provides an earnings forecast, 77.3% of the time it discloses that forecast in both the press release and conference call.

Descriptive statistics for the guidance intensity scores are reported in Table 3. The mean (median) *CCONLYSCORE* is 8 (4), while the mean (median) *PRSCORE* is 11 (10). The magnitudes of the mean and median of *CCONLYSCORE* compared to the magnitudes of the mean and median of *PRSCORE* suggest that firms provide a nontrivial amount of *incremental* guidance information in the conference call.

Table 3 introduces the variables *PRONLYSCORE* and *TOTALSCORE*. *PRONLYSCORE* represents the intensity of guidance disclosed *only* in the press release. *PRONLYSCORE* has a mean of just 2 and its third quartile is 0. This indicates that firms release almost no management guidance *only* in the press release. Instead, we find that in practice, firms chose to release guidance either in the press release *and* the conference call, or in the conference call alone. This result is consistent with firms using the conference call to elaborate on information first released in the press release. Due to the paucity of press release-only guidance, we do not perform analysis on press release-only disclosures.

TOTALSCORE, defined as $PRSCORE+CCONLYSCORE$, represents the level of management guidance disclosed across both venues. Thus, it is apparent in comparing the magnitudes of *PRONLYSCORE* and *TOTALSCORE* that firms repeat the majority of their management guidance first disclosed in the press release later in the conference call. Thus, the conference call typically contains more *total* management guidance than the press release.

We also introduce a standardized measure of exclusive conference call guidance intensity, *PROPORT*, which is the ratio of *CCONLYSCORE* to *TOTALSCORE*. *PROPORT* captures the relative amount of guidance that firms exclusively disclose in their conference call. Thus, *PROPORT* takes the amount of total guidance that a firm discloses at the earnings announcement as fixed and provides a view of disclosure shifting across venues. The mean (median) value of *PROPORT* is 47.7% (41.8%), indicating that, according to our measurement method, approximately half of the management guidance information released at the earnings announcement is contained exclusively in the conference call. Note that *PROPORT* is defined for only 372 of the 451 sample firms due to the fact that 79 firms provide no scorable guidance in either the press release or conference call (that is, $TOTALSCORE=0$).

We report several other variables in Table 3. *PRTOCCMINS* is the number of minutes elapsed from the press release time stamp to the initiation of the conference call. The small values of *PRTOCCMINS* (mean=247.8, median=123.0) confirm that the press release and conference call events occur close in time. *PRLLENGTH* (*CCLLENGTH*) is the number of words in the firm's press release (presentation portion of its conference call). The mean and median of *CCLLENGTH* are more than twice those of *PRLLENGTH*. This finding is consistent with firms elaborating on information first provided in the press release during the conference call.

AFTERHRS, which equals one if the firm's conference call begins outside of normal trading hours, has a mean of 22.8%, which corresponds to 103 sample firms beginning their conference calls when the markets are not open.

Table 4 reports pairwise correlation coefficients for key variables used in this study. We highlight that the correlation between *PRSCORE* and *CCONLYSCORE* is significantly negative ($\rho=-0.135$, $p\text{-value}=0.01$). This negative correlation is consistent with the conference call being a substitute venue for the press release; that is, firms disclose more guidance in their conference calls when they disclose less guidance in their press releases.

3. Materiality of Exclusive Conference Call Disclosures

In this section, we test whether the new conference call disclosures are indeed material. Holthausen and Verrecchia (1990) and Kim and Verrecchia (1991) demonstrate that price changes and trading volume reflect the arrival of information. Given that price and volume reactions are each informative about the materiality of a public announcement, we examine both to infer whether investors trade on management guidance disclosed exclusively in the conference call.

3.1 Measurement of abnormal trading reaction

Intra-day trade data is obtained from the NYSE Trade and Quote (TAQ) database to calculate abnormal trading volume immediately surrounding the conference calls.¹⁵ We compute two measures of stock price volatility,

¹⁵ Following prior literature (e.g., Ng, Rusticus, and Verdi 2008), we require the TAQ observations to conform to several rules to ensure data integrity. Trades must be “good” trades ($CORR=0$ or 1), occur under regular sale conditions ($COND=$ blank or *), have a positive trade price ($PRICE>0$), have a positive trade size ($SIZE>0$), and have an absolute change in price from the previous trade of less than or equal to 10%.

$$RANGE = (HIGHPRC - LOWPRC) / MEANPRC^{16}$$

$$VOLATIL = SDPRC / MEANPRC$$

where:

HIGHPRC = The highest stock price during the event window
LOWPRC = The lowest stock price during the event window
MEANPRC = The mean price during the event window
SDPRC = The standard deviation of price during the event window.

We also measure trading volume,

VOL = The number of shares traded during the event window

Matsumoto, Pronk, and Roelofsen (2007) estimate that the mean (median) duration of the presentation portion of conference calls in the recent time period is 18.41 (17.49) minutes. Thus, we measure the trading data using a 30-minute event trading window starting from the initiation of the conference call. We use a short window to capture trading activity directly related to information disclosed in the call. We limit our market analyses to the 348 sample firms that begin their conference call between 9:30 am EST and 3:30 pm EST (before 30 minutes prior to market close) so that we can measure the immediate market reaction to the conference call (Berkman and Truong 2009).

Even in the absence of a conference call, the variables *RANGE*, *VOLATIL*, and *VOL* may vary systematically across firms. We thus measure pre-event *RANGE*, *VOLATIL*, and *VOL* over 45 trading days, ending 10 trading days prior to the conference call, to compute a baseline measure for each variable. To prevent the 30-minute pre-event measure from reflecting variations in trading activity that occur throughout the trading day, we measure the 30-minute trading window that corresponds to the conference call for each of the 45 pre-event

¹⁶ This measure is similar to measures used by several prior studies that examine market reaction to conference calls (e.g. Frankel, Johnson and Skinner (1998), Bushee, Matsumoto and Miller (2003, 2004)).

trading days. We then compute abnormal *RANGE*, *VOLATIL*, and *VOL* variables (*ARANGE*, *AVOLATIL*, and *AVOL*, respectively) by subtracting the pre-event measure from the event measure and dividing the result by the pre-event measure. Thus, *ARANGE*, *AVOLATIL*, and *AVOL* represent the abnormal stock activity in a percentage form.¹⁷

We measure several control variables that likely relate to the market reaction to the conference call: the absolute value of the realized earnings surprise (*ABSURP*), the level of dispersion in analysts' earnings forecasts for FY2005 Q4 (*DISPERQ4*), and the level of dispersion in analysts' earnings forecasts for FY2006 (*DISPER06*), firm size (*LMV*), the number of words in the press release (*PRLLENGTH*), and the number of words in the presentation portion of the conference call (*CCLLENGTH*). The first four control variables capture the firm's information environment at the time of the earnings announcement, and the last two control variables proxy for the level of disclosure about past (realized) performance or non-management guidance information not captured by other control variables.

3.2 Materiality results

Table 5 reports univariate statistics partitioned on the level of *CCONLYSCORE*. "High *CCONLYSCORE*," the left-hand group of columns, represents firms with a level of *CCONLYSCORE* above the sample median *CCONLYSCORE*, while "Low *CCONLYSCORE*," the middle columns, represents firms with a level of *CCONLYSCORE* at or below the median. The right-hand columns show tests of differences in the mean and median. Note that the number of observations in the "High" and "Low" groups is unequal because multiple observations have a *CCONLYSCORE* equal to the median.

We use the three market measures, *ARANGE*, *AVOLATIL*, and *AVOL*, to triangulate on the

¹⁷ In untabulated analyses we find that multivariate results are qualitatively unaffected and inferences are unchanged when we use *RANGE* and *VOLATIL* instead of *ARANGE* and *AVOLATIL*.

materiality of the guidance disclosed in the call. *ARANGE* and *AVOLATIL* reflect abnormal stock price movement that occurs during the conference call, while *AVOL* captures abnormal trading volume. We expect these variables to be larger for the “High” *CCONLYSCORE* group than the “Low” group.

We measure the control variables as follows: *ABSURP* is realized earnings less the First Call consensus forecast immediately preceding the earnings announcement, scaled by stock price at the beginning of the fourth quarter. *DISPERQ4* (*DISPER06*) is the standard deviation of analysts’ earnings forecasts listed in First Call immediately preceding the earnings announcement for the fourth quarter of FY2005 (for the year of FY2006), scaled by stock price at the beginning of the fourth quarter. *LMV* is the log of the firm’s market value of equity, measured at the beginning of the fourth quarter. *PRLLENGTH* and *CCLLENGTH* are the word counts of the press release and the presentation portion of the conference call, respectively.

Results in Table 5 show that the variables of interest, *ARANGE*, *AVOLATIL*, and *AVOL* are higher among the “High *CCONLYSCORE*” firms than the “Low *CCONLYSCORE*” firms, but only *AVOL* is significantly so. Among the remaining variables in Table 5, *PRLLENGTH* and *CCLLENGTH* are significantly different between groups, while other variables are not significantly different.

Multiple information signals drive investors’ trading at the time of an earnings announcement, so a multivariate framework is well suited to isolate the effect of disclosure on trading. We thus use the following regression model to test for the materiality of new guidance disclosed in the conference call:

$$\text{MKTREACT} = \alpha_0 + \alpha_1 \text{CCONLYSCORE} + \alpha_2 \text{PRSCORE} + \alpha_3 \text{ABSURP} + \alpha_4 \text{DISPERQ4} + \alpha_5 \text{DISPER06} + \alpha_6 \text{LMV} + \alpha_7 \text{PRLLENGTH} + \alpha_8 \text{CCLENGTH} + \varepsilon \quad (1)$$

where:

MKTREACT = The firm's market reaction during the 30-minute period that begins at the conference call's initiation, measured by 1) *ARANGE*, 2) *AVOLATIL*, and 3) *AVOL*.

The independent variable of primary interest is *CCONLYSCORE*. A significantly positive coefficient on *CCONLYSCORE* would indicate that the guidance disclosed only in the conference call is material. *PRSCORE* in the regression captures delayed trading related to guidance that firms disclose in the press release and we predict its coefficient to be positive. The remaining variables are included to control for other drivers of trading activity during the conference call window.

Table 6 presents results of Equation (1). We estimate the regression with 1) all 348 firms hosting a conference call during normal trading hours and 2) the 323 of those 348 firms that are NYSE-listed. Using the NYSE-only subsample enables a focus on firms explicitly prohibited from making material new disclosures in their conference calls.

Results for the full sample of 348 firms show that the intensity of conference call-only guidance is significantly associated with both the abnormal stock price trading range and volatility during the 30-minute measurement period of the conference call. For the *ARANGE* (*AVOLATIL*) regression, *CCONLYSCORE* has a *t*-statistic of 2.71 (2.39). The level of exclusive conference call disclosure is also significantly associated with abnormal trading volume during the 30-minute period: in the *AVOL* regression, *CCONLYSCORE* has a *t*-statistic of 1.99.

Results on the right-hand side of Table 6 show that similar results are obtained among the

subset of 323 NYSE-listed firms: the t -statistics on *CCSCOREONLY* in the *ARANGE*, *AVOLATIL*, and *AVOL* regressions are 2.31, 2.04, and 1.64, respectively.

Among the regression model's non-primary variables, the significantly positive coefficients on *PRSCORE* in the two regression estimates among the subset of NYSE firms in Table 6 indicate that investors trade on information first released in the press release during the 30-minute conference call window. The negative coefficients on the control variable *LMV* in all regression estimates are consistent with larger firms enjoying richer information environments and thus having less "fresh" news revealed at the earnings announcement.

Overall, the results presented in Table 6 indicate the management guidance that firms provide exclusively in their conference calls is indeed material because investors react and trade on this information. It is noteworthy that these results hold in the subsample comprised of firms subject to NYSE's press-release-only policy.¹⁸ While generally it can be difficult for managers to judge whether any given piece of information is material, managers can easily disclose no *new* management forecasts in the presentation portion of the conference call by simply disclosing all guidance in the press release first. Hence, the results in Table 6 reflect managers' decision to provide management guidance exclusively in the conference call.

4. Determinants of Conference Call Venue

Given that firms release material new management guidance in their conference calls, we now examine the costs and benefits of making disclosures exclusively through the conference call venue.

¹⁸ These results should not be interpreted to mean that management guidance is the *only* material disclosure in conference calls, nor that conference calls disclosing no management guidance contain zero material information. Rather, the tests pinpoint management guidance as a specific type of material disclosure contained in conference calls.

4.1 Hypotheses and prior research

Reg FD states that the determination of which communication method satisfies the “public disclosure” requirement should take into account the degree that the investment community follows a firm’s different disclosure venues. If a firm discloses material information by way of submitting a press release to the major wire services (or, alternatively, filing a Form 8-K), it fulfills its obligation for “public disclosure.” On the other hand, if a firm makes new material disclosures in a conference call, the firm is at risk that the SEC will subsequently judge its conference call to have violated Reg FD because it did not reach a sufficiently wide immediate audience of investors. Thus, relying exclusively on the conference call for information dissemination is potentially costly. This cost will vary by firm according to how much investor attention a firm’s conference calls garner.

As a result, we expect the disclosure of new material management guidance in conference calls will decrease as the call’s visibility decreases. We cannot, however, directly observe the number of people who listen live to the conference calls in our sample. It stands to reason, however, that firms with lower general investor visibility also have conference calls that reach a narrower immediate audience. We thus proxy for conference call visibility with a measure of general investor visibility. Following prior literature, we measure firm visibility using the firm’s average share turnover. Merton (1987) theoretically demonstrates an inverse relationship between investor recognition and liquidity, and Gervais, Kaniel, and Mingelegrin (2001), Kaniel, Li, and Starks (2003), and Grullon, Kanatas, and Weston (2004) find empirical evidence that higher investor visibility is associated with higher liquidity. Firm visibility, *SHTURN*, is measured as the mean monthly share turnover scaled by the mean

number of shares outstanding over the 12-month period of the fiscal year 2005.¹⁹

Litigation risk influences firms' disclosure decisions (Skinner 1997; Field, Lowry, and Shu 2005). Bamber and Cheon (1998) find litigation risk specifically relates to venue choice. We predict that firms in high litigation risk industries, *LITIG*, are less likely to use the conference call venue due to Reg FD. Following Francis, Philbrick, and Schipper (1994), *LITIG* is an indicator variable equaling one when the firm's SIC code is in biotechnology (2833-2836 and 8731-8734), computers (3570-3577 and 7370-7374), electronics (3600-3674), and retail (5200-5961) industries.

We expect that NYSE firms will provide a smaller fraction of their total disclosure only in their conference call to comply with the Timely Alert Policy. The indicator variable *NYSE* captures the mean difference in aptitude that NYSE-listed firms have for exclusive conference call disclosure as compared to non-NYSE firms.

A firm's information environment at the time of the earnings announcement may affect its reliance on the conference call for guidance disclosure. Managers may fear that investors will misinterpret or be confused by their management guidance (Weber 2000). We expect that managers prefer to provide guidance for complex forecasting situations in the conference call venue because they can provide detailed information in context and immediately field analysts' questions. *ABSURP*, the degree to which a firm's analyst consensus earnings forecast differs from its realized earnings, is a measure of the amount of information asymmetry between the firm and the market just before the earnings release. Relatedly, high analyst forecast dispersion is an indication of difficulty in predicting future performance for

¹⁹ Since Reg FD became effective in October 2000, the SEC has targeted fewer than ten firms for investigation of a potential Reg FD violation, and, according to our conversations with an official from the SEC, none of these ten specifically involved a conference call disclosure. The threat of Reg FD enforcement action, however, has unequivocally caused firms to change their disclosure policies (e.g., Bushee et al. 2004).

analysts and managers alike (Ajinkya et al. 2005). Hence, we expect that the proportion of guidance disclosed exclusively in the conference call increases 1) as the magnitude of realized FY2005 Q4 unexpected earnings increases and 2) as management forecast dispersion for the FY2006 horizon increases. The standard deviation analysts' earnings forecasts for FY2006 immediately prior to the earnings announcement, *DISPER06*, proxies for the difficulty in forecasting future performance.

Prior research documents a relation both between institutional ownership and disclosure (Healy, Hutton, and Palepu 1999; Bushee and Noe 2000; Ajinkya, Bhojraj, and Sengupta 2005) and between analyst following and disclosure (Lang and Lundholm 1996; Healy et al. 1999). Firms with a high number of institutional owners and high analyst following may cater to these influential stakeholders by providing a greater proportion of earnings announcement guidance in the conference call alone, since the conference call is the venue that is specifically geared toward these groups. Likewise, institutions and analysts may be attracted to firms that provide a greater proportion of exclusive management guidance disclosure in the conference call. Thus, we expect exclusive conference call disclosure to increase in the number of institutional owners, *NUMIO*, and in analyst following, *NUMEST*. We obtain *NUMIO* from CDA Spectrum for the event quarter.²⁰ *NUMEST* is measured as the number of analysts whose earnings estimates for the event year are included in the last First Call consensus compiled before the fiscal year 2005 earnings announcement.

At times, firms make available annual earnings guidance for a given fiscal year before the prior fiscal year's realized earnings have been released. The legal duty to update management guidance is debated among legal experts (Tucker 2007). The SEC's and the NYSE's stated

²⁰ Empirical results are similar when percent of total shares outstanding owned by institutions is used instead of the number of institutional owners.

positions that press releases reach the broadest audience may motivate firms to use the press release venue to update their guidance to ensure regulatory compliance. Moreover, Reg FD states, “We also caution issuers that a deviation from their usual practices for making public disclosure may affect our judgment as to whether the method they have chosen in a particular case was reasonable.” Therefore, if a firm previously disclosed guidance in a press release, the firm has regulatory pressure to use the press release venue if it updates that guidance. We identify firms that had disclosed a FY2006 earnings forecasts preceding the fiscal year-end 2005 earnings announcement from the Company Issued Guidelines (CIG) database. *PREVIOUS* is a dummy variable equaling one if CIG indicates the firm had issued earnings guidance for fiscal year 2006 before the issuance of the fiscal year 2005 press release.²¹

Non-professional investors may have a lower aptitude to listen live to a conference call when the call is held during trading hours (Bushee et al. 2004). Firms choose the time of day to host their conference calls and they typically maintain the same start time for their call each quarter. Hence, firms hosting their conference calls during non-trading hours, *AFTERHRS*, may rely more or less heavily on the conference call venue for exclusive disclosure. We measure *AFTERHRS* to control for such an effect.

Lastly, we measure firm size, *LMV*, and the market-to-book ratio, *MB*, to control for other determinants of guidance production. *MB* is measured at the end of fiscal year 2005.

In this section, we are most interested in firms’ choice to *shift* disclosure from the press release to the conference call. We therefore use the proportion of total management guidance

²¹The CIG database only comprehensively covers management forecasts of earnings, and not management forecasts of other, non-earnings guidance, such as revenue or gross margin forecasts. We use *PREVIOUS* as a proxy for whether the firm had disclosed any management guidance for FY2006 before the earnings announcement. It is possible for a firm to have previously disclosed management guidance of a line item other than earnings, but not earnings itself (i.e., a firm provides a revenue forecast but not an earnings forecast). However, Lansford, Lev, and Tucker (2009) find it is uncommon for a firm to provide line-item forecasts other than earnings without providing an earnings forecast itself.

disclosed exclusively in the conference call, *PROPORT*, in our tests.

4.2 Venue results

Table 7, Panel A reports univariate statistics partitioned on the level of *PROPORT*. “High *PROPORT*,” the left-hand group of columns, represents firms with a level of *PROPORT* above the sample median *PROPORT*, while “Low *PROPORT*,” the middle columns, represents firms with a level of *PROPORT* at or below the median. The right-hand columns show tests of differences in the mean and median.

The variables *SHTURN*, *ABSURP*, *DISPER06*, and *PREVIOUS* are significantly different in the predicted directions between the “High” and “Low *PROPORT*” groups. The remaining variables in Table 7, Panel A are not significantly different between groups. We highlight that the variable *NYSE* is insignificantly different between the “High *PROPORT*” and the “Low *PROPORT*” groups, meaning that, in spite of the NYSE’s press-release-only policy, we do not find evidence that NYSE-listed firms rely more on press releases than non-NYSE listed firms.

We use the following regression to examine the determinants of the proportion of new management guidance disclosed in the conference call:

$$\begin{aligned} \text{PROPORT} = & \beta_0 + \beta_1 \text{SHTURN} + \beta_2 \text{LITIG} + \beta_3 \text{NYSE} + \beta_4 \text{ABSURP} + \beta_5 \text{DISPER06} + \\ & \beta_6 \text{NUMIO} + \beta_7 \text{NUMEST} + \beta_8 \text{PREVIOUS} + \beta_9 \text{AFTERHRS} + \beta_{10} \text{LMV} + \\ & \beta_{11} \text{MB} + \varepsilon \end{aligned} \quad (2)$$

From the initial sample of 372 observations with a defined value of *PROPORT*, we eliminate eight observations that lack institutional ownership data on the CDA Spectrum database and three observations with negative values of *MB*. We thus estimate Equation (2) using 361 observations. We implement Equation (2) using Papke and Wooldridge (1996)’s

GLM procedure for dealing with proportional dependant variables.²² Table 8 reports the results of Equation (2), which we discuss below.

SHTURN, the proxy of firm visibility, is significantly positive (t -stat=2.78). This result is consistent with firms complying with Reg FD by relying less on the conference call when the firm, and presumably also the firm's conference call, receives less attention. Additionally, *LITIG* is significantly negative (t -stat=-3.54), which is consistent with firms that bear high litigation risk being especially sensitive to satisfying regulatory requirements.

On the other hand, the coefficient on *NYSE* is insignificant (t -stat=0.62). Despite NYSE's prohibition on material information disclosure exclusively in the conference call, we find no evidence that NYSE-listed firms have a lower propensity to disclose management guidance exclusively in the conference call venue.

As predicted, the coefficient on *ABSURP* is significantly positive (t -stat=2.12) and *DISPER06* has a significantly positive coefficient (t -stat=1.88).²³ These results are consistent with managers providing a greater proportion of guidance in the conference call when the forecasting environment is more difficult, likely because the conference call provides managers greater opportunity to put the guidance into context and because managers can immediately field the conference call participants' questions.

NUMIO (t -stat=0.65) and *NUMEST* (t -stat=0.75) have insignificant coefficients. We thus find no evidence that either institutional investors or analysts influence management venue

²² Unlike binary dependent variables, fractional dependent variables take the values in the interval [0,1] and hence logit and probit models are inappropriate. Papke and Wooldrige (1996) suggest a quasi-maximum likelihood estimator (QMLE) that can be implemented using a GLM procedure.

²³ The effect of unexpected realized earnings may vary according to good and bad news. Matsumoto et al. (2007) find that firms' conference calls focus more on the future when reported firm performance is good. Hence, in sensitivity analyses, we dichotomize earnings surprise in non-negative unexpected earnings, *POSSURP*, and negative unexpected earnings, *NEGSURP*, and include both variables in Equation (2). Though *POSSURP* and *NEGSURP* are significant in the expected directions (t -stats=2.09 and -1.56, respectively), the coefficients are not significantly different from each other.

choice.

The coefficient on *PREVIOUS* is significantly negative ($t\text{-stat}=-3.52$), as predicted, indicating that firms that previously disclosed earnings guidance rely more on the press release venue.

Finally, the coefficients on control variables *AFTERHRS*, *LMV* and *MB* are insignificant.

Collectively, regression results indicate that firms consider the tradeoff in costs and benefits of exclusive conference call disclosure.

5. Analyst Reaction According to Venue

In the final set of analyses, we examine whether the disclosure venue affects analysts' interpretation of the management guidance.

5.1 The conference call venue's target audience

Though open to all interested parties, conference calls are geared toward analysts and sophisticated investors. For example, Duke Energy Corp.'s FY2005 Q4 press release states, "An earnings conference call *for analysts* is scheduled for 10 a.m. ET today..." and Johnson & Johnson's FY2005 Q4 press release states, "Johnson & Johnson will conduct a meeting *with financial analysts* to discuss this news release today at 8:30 a.m., Eastern Standard Time" (italics added).

Using survey data from the *FAF Report*, Bamber and Cheon (1998) find that analysts perceive firms that use analyst meetings to disseminate management guidance as having superior disclosure policies than those of other firms. Bamber and Cheon write, "...analysts prefer managers to issue specific earnings forecasts that are disclosed first to the analysts

themselves.” Analysts’ preference for direct communication with management may be due to their belief that management guidance is more credible when released in the conference call due to the potential for immediate and direct analyst scrutiny (Hirst et al. 2008). We thus examine whether analysts react to management guidance differently according to venue.

5.2 Analyst reaction results

We test whether disclosure venue is associated with the absolute change in the consensus analyst earnings forecast and the change in analyst forecast dispersion around the earnings announcement. Cotter, Tuna, and Wysocki (2006) document that the majority of analysts following a firm issue a forecast within the 14-day window following a quarterly earnings announcement. We thus use a short 7-calendar-day measurement window so that we can best detect analysts’ revision behavior that stems from news at the time of the earnings announcement.²⁴

We compute the change in both the level and dispersion in the consensus analyst forecast, measured from immediately before the earnings announcement to 7 days after the earnings announcement. The absolute mean change in the consensus forecast, *ABMEANCHG*, and the median change, *ABMEDCHG*, are both scaled by price. The change in dispersion, *DISPERCHG*, is the percent change in the forecast dispersion, which is measured by the standard deviation of forecasts.

To pinpoint how the venue of management guidance affects analysts’ response to the guidance, it is critical to control for total information disclosed at the earnings announcement. We therefore measure several proxies of information: the absolute value of the abnormal return in the 3-day window surrounding the press release (*ABRET*), the absolute realized

²⁴ In unreported analysis, we find that results are qualitatively similar and inferences unchanged when using a 14-calendar-day window.

earnings surprise (*ABSURP*), whether the firm had a negative earnings surprise (*MISS*), and the absolute forecast surprise (*ABGUIDESURP*). We also allow the coefficient of *ABSURP* to vary according to the sign of realized earnings surprise (*MISS*ABSURP*).

As in section 4, the variable of primary interest is the proportion of total management guidance disclosed exclusively in the conference call, *PROPORT*. We expect that analysts react more to news disclosed in the conference call given that 1) analysts have the opportunity to clarify and ask questions and 2) managers may be better able to relate their expectations in context in the conference call. We also expect analyst uncertainty surrounding future earnings expectations to decrease when a greater proportion of management guidance is disclosed exclusively in the conference call.

Table 7, Panel B reports univariate comparisons of High *PROPORT* and Low *PROPORT* for the incremental variables defined in section 5. The absolute mean change in the consensus forecast is significantly different between the “High” and “Low” groups, while the absolute median change and the change in forecast dispersion are not significantly different. Among the three control variables, values are generally insignificantly different between the two groups.

We estimate the following regression to test whether the proportion of total earnings announcement management guidance disclosed in the conference call is associated with analysts’ reaction. We are careful to include several controls to capture analysts’ reaction to the information itself:

$$\begin{aligned} \text{CHGFORCST} = & \gamma_0 + \gamma_1 \text{PROPORT} + \gamma_2 \text{ABRET} + \gamma_3 \text{ABSURP} + \gamma_4 \text{MISS} \\ & + \gamma_5 \text{MISS*ABSURP} + \gamma_6 \text{ABGUIDESURP} + \gamma_7 \text{LMV} + \gamma_8 \text{MB} + \varepsilon \end{aligned} \quad (3)$$

where:

CHGFORCST = The change in the analyst consensus forecast, as reported in the First Call database, measured by 1) *ABMEANCHG*, 2) *ABMEDCHG*, and 3) *DISPERCHG*.

The predicted coefficient on *PROPORT* is positive (negative) for the regressions having dependent variables of *ABMEANCHG* and *ABMEDCHG* (*DISPERCHG*). Table 9 reports regression results. The coefficient on *PROPORT* is significant in the predicted direction in the regressions with dependent variables *ABMEANCHG* and *ABMEDCHG* (*t*-stats=2.07, 3.03, respectively). However, *PROPORT*'s coefficient is not statistically significant in the regression with *DISPERCHG* (*t*-stat=-0.50).²⁵ Therefore, the exclusive disclosure of management guidance in the conference call venue is associated with analysts' interpretation of the guidance, but we do not find a significant relationship between disclosure venue and disparity of beliefs *among* analysts.

6. Sensitivity Analyses of Guidance Intensity Measures

We perform sensitivity analyses to establish the robustness of the primary results to alternate methods of computing *CCONLYSCORE* and *PRSCORE*. As detailed below, we find inferences for the multivariate analyses are unchanged.

6.1 Including “Soft” forecasts

We re-compute *PRSCORE* and *CCONLYSCORE* including qualitative guidance. We judge such “soft” guidance to be substantially less informative than point and range guidance and thus adjust the score awarded to qualitative guidance by halving score assignment in listed Table 1. For example, a qualitative earnings disclosure is awarded 5 points.

²⁵ In untabulated analyses we find that multivariate results are qualitatively unaffected and inferences are unchanged when we exclude the abnormal return variable, *ABRET*, from the regression. Likewise, results are qualitatively unaffected when we use raw returns instead of market-adjusted returns.

Untabulated results including “soft” guidance to Equation (1) are qualitatively similar to the primary results. The significance levels on the *CCONLYSCORE* coefficients retain their same level (1%, 5%, or 10%) as in the original regression. Estimates of Equation (2) remain materially unchanged as well (untabulated). The coefficients (*t*-stats) are 0.067 (2.66) on *SHTURN*, -0.107 (-2.97) on *LITIG*, 18.159 (2.77) on *ABSURP*, 9.637 (2.88) on *DISPER06*, and -0.127 (-2.97) on *PREVIOUS*. The other independent variables remain insignificant. Finally, the results from Equation (3) also remain quite similar: *t*-stats for the *PROPORT* coefficient are 2.67, 3.32, and -0.69, respectively.

6.2 Frequency counts

We next compute *CCONLYSCORE* and *PRSCORE* based on simple counts of items of management guidance. That is, instead of assigning a weight corresponding to the importance of each category of guidance and then adjusting that weight by the precision of the forecast, we simply assign 1 point to each category.

Untabulated results to Equation (1) using count scores are qualitatively similar to the original regression results. Specifically, the significance on *CCONLYSCORE* is at the same level (i.e., 1%, 5%, or 10%) or better in all regression specifications. Results to Equation (2) are also qualitatively similar. The coefficients (*t*-stats) are 0.080 (2.94) on *SHTURN*, -0.106 (-3.46) on *LITIG*, 18.645 (2.18) on *ABSURP*, 10.758 (2.35) on *DISPER06*, and -0.123 (-3.46) on *PREVIOUS*. The other independent variables remain insignificant. Finally, results of Equation (3) are nearly identical. The *t*-stats on *PROPORT* are 2.08, 3.07, and -0.64, respectively.

7. Conclusion

Skinner (2003) writes, "...it seems natural that there would be an interaction between managers' decisions about what to disclose and how they choose to disclose it" (p. 186). Disclosure venue, however, has received surprisingly scant attention in existing academic literature. In this study, we identify management forecasts as a specific source of new material information disclosed in the conference calls by directly examining the immediate market reaction to its release. We find robust evidence that investors respond to these disclosures and that firms' use of the conference call as a primary source of information dissemination stems from a cost-benefit analysis that takes into account information content and regulatory compliance. We also find that disclosure venue has tangible ramifications: analysts react more strongly to management guidance made exclusively through the conference call venue.

Reg FD's intent is to protect small investors, who represent the class of investors arguably least likely to adopt of new technologies. Hence, Reg FD and the NYSE originally took a conservative view toward disclosure venue by strongly advocating (and even requiring) the use of the traditional press release. Despite the SEC's and NYSE's regulatory pressure, this study documents that a substantial amount of exclusive conference call disclosure already exists in a fiscal year 2005 sample. Reliance on non-press release venues, including conference calls, webcasts, and firms' investor relations websites, will almost certainly increase in the coming years in the wake of recent regulation changes, such as an August 2008 SEC interpretive guidance that permits (albeit in very limited circumstances) the use of firms' websites for material new disclosure. The importance of disclosure venue is thus likely to increase over the coming years as regulations further evolve to reflect the ubiquity of the Internet.

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APPENDIX A

Excerpt from “Final Rule: Selective Disclosure and Insider Trading” (Reg FD)

b. Alternative Methods of Public Disclosure

We are recognizing alternative methods of public disclosure to give issuers the flexibility to choose another method (or a combination of methods) of disclosure that will achieve the goal of effecting broad, non-exclusionary distribution of information to the public.

As a general matter, acceptable methods of public disclosure for purposes of Regulation FD will include press releases distributed through a widely circulated news or wire service, or announcements made through press conferences or conference calls that interested members of the public may attend or listen to either in person, by telephonic transmission, or by other electronic transmission (including use of the Internet). The public must be given adequate notice of the conference or call and the means for accessing it. The regulation does not require use of a particular method, or establish a “one size fits all” standard for disclosure; rather, it leaves the decision to the issuer to choose methods that are reasonably calculated to make effective, broad, and non-exclusionary public disclosure, given the particular circumstances of that issuer. Indeed, we have modified the language of the regulation to note that the issuer may use a method “or combination of methods” of disclosure, in recognition of the fact that it may not always be possible or desirable for an issuer to rely on a single method of disclosure as reasonably designed to effect broad public disclosure.

We believe that issuers could use the following model, which employs a combination of methods of disclosure, for making a planned disclosure of material information, such as a scheduled earnings release:

- *First, issue a press release, distributed through regular channels, containing the information;*
- *Second, provide adequate notice, by a press release and/or website posting, of a scheduled conference call to discuss the announced results, giving investors both the time and date of the conference call, and instructions on how to access the call; and*
- *Third, hold the conference call in an open manner, permitting investors to listen in either by telephonic means or through Internet webcasting.*

By following these steps, an issuer can use the press release to provide the initial broad distribution of the information, and then discuss its release with analysts in the subsequent conference call, without fear that if it should disclose additional material details related to the original disclosure it will be engaging in a selective disclosure of material information. We note that several issuer commenters indicated that many companies already follow this or a similar model for making planned disclosures.

(Note: full text of regulation available at <http://www.sec.gov/rules/final/33-7881.htm>.
Italics added for emphasis.)

APPENDIX B

Catherine R. Kinney
Group Executive Vice President
Office of the Chief Executive

New York Stock Exchange, Inc.
20 Broad Street
New York, NY 10005

tel: 212.656.8330
fax: 212.656.5111
ckinney@nyse.com



March 22, 2001

To: Chief Financial Officers, Corporate Secretaries, and Investor Relations Professionals of Listed Companies

Re: NYSE Timely Alert Policy
SEC's Regulation Fair Disclosure ("Reg FD")

Some listed companies have asked whether the Exchange has made any changes to its Timely Alert Policy in light of the Securities and Exchange Commission's new Regulation FD. I want to take this opportunity to confirm to you that the Exchange still requires listed companies to comply with the Timely Alert Policy, including the use of a press release given to the major wire services when disclosing material information.

While the Exchange's Timely Alert Policy and Reg FD are similar in many respects and otherwise complement each other, they differ in that we continue to mandate the use of a press release. Reg FD states that companies must disclose material information through a method (or combination of methods) reasonably designed to provide broad non-exclusionary distribution to the public. The SEC discusses a variety of mechanisms, including the press release, but also including public conference calls and webcasts, as well as filings on Form 8-K. In contrast, we continue to believe that a press release constitutes the single best way to insure that new material information released during the trading day becomes available to all traders and the investing public as promptly as possible.

Even if you plan to make a material announcement at a publicly accessible conference call or webcast that complies with Reg FD, the Exchange requires that you disclose the matter in a press release issued prior to the call or webcast. If material news is being released during market hours, we also require that you give us ten minutes prior notice of the press release so that we can assess with you whether a trading halt will be needed pending dissemination of the news. If new material information is inadvertently disclosed on a conference call or webcast during trading hours, the Exchange requires that you notify us immediately and promptly issue a press release with respect to the information.

The Exchange supports all efforts toward full and fair disclosure of information to the investing public, and would appreciate hearing any thoughts you may have on these issues. Should you have any questions or comments, please contact your NYSE client service Managing Director.

Sincerely,
Catherine R. Kinney
Group Executive Vice President
Office of the Chief Executive
New York Stock Exchange

(Note: full text of letter available at <http://www.nyse.com/pdfs/CKinneyLetter.pdf>)

APPENDIX C

Janice O'Neill
Senior Vice President
Corporate Compliance



NYSE Regulation, Inc. | 20 Broad Street
New York, New York 10005
t 212.656.2407 | f 212.656.5780
jonell@nyx.com

January 30, 2009

Dear Listed Company Executive:

With the 2009 annual shareholders' meeting season approaching, the New York Stock Exchange would like to remind its listed foreign private issuers of their obligations regarding notifications to and filings with the Exchange. Please take a moment to review these guidelines and become familiar with certain rule and policy changes that have been approved or proposed. I strongly encourage you and/or your depository bank to become familiar with all of the capabilities of eGovDirect, our complimentary proprietary website, and to use it to meet some of these requirements (see eGovDirect.com below).

The NYSE Listed Company Manual can be found on www.nyse.com; click on "Information: For Listed Companies" then "Listed Company Manual". It contains the complete rule text on these topics and is equipped with a search feature that will assist in locating relevant information.

.... [non-germane section omitted]

NYSE Timely Alert Policy Reminder

It is important to ensure the investing public has equal access to material corporate information as soon as it becomes available. Current NYSE policy requires listed companies to immediately issue a press release to the major wire services when material information may reasonably be expected to affect the market in its securities.

If material news is being released during market hours, a listed company is required to give the Exchange ten minutes prior notice of the press release. This notification requirement permits an evaluation of the importance of the news and its potential impact on the market. If new material information is inadvertently disclosed during a conference call or webcast, the Exchange requires a listed company to promptly issue a press release regarding the information. If this new information is disclosed during market hours, the listed company must immediately notify the Exchange as to the new disclosure. If a listed company plans to make a material announcement on a publicly accessible conference call or webcast that complies with the SEC's Regulation Fair Disclosure ("Reg FD"), the Exchange requires disclosure of the matter in a press release issued no later than the start of the conference call or webcast.

To ensure adequate coverage, Section 202.06 (C) of the Listed Company Manual states that press releases requiring immediate publicity should be given to Dow Jones & Company, Inc., Reuters America and Bloomberg Business News. A listed company is also encouraged to promptly distribute its releases to the Associated Press and United Press International as well as to newspapers in New York City and in cities where the company is headquartered or has plants or other major facilities.

Pursuant to Reg FD the SEC provides U.S. issuers a variety of mechanisms for the dissemination of material information to the public including press releases, public conference calls, webcasts and Form 8-K filings. For purposes of maintaining a fair and orderly trading market, the Exchange continues to believe that a press release is the best way for a listed company to ensure the timely and widespread dissemination of material news. However, the Exchange recognizes that the SEC has afforded companies more discretion as to how to make disclosures required under Reg FD and, to harmonize our rules with those of the SEC applicable to domestic issuers, we are currently considering an amendment to our timely alert policy that would allow companies to comply with the policy by using any Reg FD-compliant method of disclosure. While foreign private issuers are not subject to Reg FD, the Exchange would propose to allow them to comply with the policy by utilizing any method that would be Reg FD-compliant for U.S. issuers. We will inform you if and when the SEC approves this rule change.

Questions regarding the NYSE's Timely Alert Policy should be directed to your client service representative as listed in NYSE Contacts on eGovDirect or Judy McLevey at 212.656.4509 or jmclevey@nyx.com.

... [non-germane section omitted]

If you have questions beyond the scope of the matters discussed in this letter, please continue to direct them to your client service representative as listed in NYSE Contacts on eGovDirect.

We hope you find this information helpful and encourage you to provide a copy of this letter to appropriate executives and outside advisors who have responsibility for handling these matters. Our staff is available to respond to any questions or comments.

Sincerely,

Janice O'Neill

cc: Richard G. Ketchum, Chief Executive Officer, NYSE Regulation, Inc.
Catherine R. Kinney, Group Executive Vice President, NYSE Euronext
Scott R. Cutler, Executive Vice President, NYSE Euronext
Naoyoshi Kasuga, Vice President, NYSE Euronext
Marc H. Iyeki, Managing Director, NYSE Euronext
K. Darcey Matthews, Managing Director, NYSE Euronext
Michael Ge Yang, Managing Director, NYSE Euronext

(Note: full text of letter available at
http://www.nyse.com/pdfs/FINAL_Annual%20FPI%20letter_2009_1_30_09.pdf)

APPENDIX D

Example of Management Guidance Disclosure in the Press Release and Conference Call

Nordstrom, Inc.'s FY 2006 Q4 earnings announcement

Press Release:

“...For the fiscal year ending February 3, 2007 [“fiscal year 2006”], the company anticipates diluted earnings per share in the range of \$2.15 to \$2.23, which includes an estimated expense of \$0.06 per diluted share from the adoption of SFAS No. 123(R) regarding expensing of stock options....”

Conference Call:

“...As far as our Outlook for [fiscal year] 2006, we are currently forecasting earnings per share in the range of \$2.15 to \$2.23 for the full year, a 12% to 16% increase over last year, after normalizing the \$0.06 impact for stock option expense. This range assumes low single digit same-store sales growth throughout the year. In addition, we expect sales leverage on buying and occupancy costs to drive 25 to 35 basis points of annual gross margin expansion. We also anticipate an SG&A expense rate decline of 30 to 40 basis points, primarily from sales leverage on fixed expenses.

This rate improvement is on a comparable basis to last year, excluding stock option expense. Interest expense should decline \$8 million to \$10 million and credit card revenue is assumed to increase \$25 million to \$30 million. As a reminder, our capital plan for the coming year is approximately \$300 million, net of developer reimbursement, 40% of which will be spent on new stores, 30% is earmarked for store remodels, and 15% for technology. The remainder is for maintenance and general corporate purposes. Depreciation will likely be around \$290 million for the full year....”

Note that we do not code Nordstrom's or any other firm's stock option expense forecast since the adoption of SFAS 123(R) caused many firms to provide this particular forecast only in the short period surrounding its adoption. Also note that Nordstrom's *CCONLYSCORE* does not include points for an earnings forecast, since the firm first disclosed this item in the press release.

APPENDIX E

Variables Definition

- ABMEANCHG* The absolute value of the difference between the mean consensus forecast immediately preceding the earnings announcement date and the mean consensus forecast 7 calendar days after the earnings announcement date, scaled by stock price at the beginning of the fourth quarter.
- ABMEDCHG* The absolute value of the difference between the median consensus forecast immediately preceding the earnings announcement date and the median consensus forecast 7 calendar days after the earnings announcement date, scaled by stock price at the beginning of the fourth quarter.
- ABRET* The absolute value of the firm's cumulative abnormal returns measured over the window -1 to +1, where day 0 is the earnings announcement date, or, in cases where the press release is issued after normal market hours, day 0 is the following trading day. Abnormal returns are computed as the difference between the firm's daily returns and the value-weighted market returns including dividends (VWRETD).
- ABSURP* The absolute value of the realized reported earnings surprise for the fourth quarter of FY2005, measured as the difference between reported earnings and First Call's consensus forecast immediately preceding the earnings announcement, scaled by stock price at the beginning of the fourth quarter.
- ABGUIDESURP* The absolute value of the difference between the prevailing analyst mean consensus forecast and the management guidance for fiscal year 2007 issued at the earnings announcement obtained from First Call's Company Issued Guidelines database, scaled by stock price at the beginning of the fourth quarter. Management guidance is defined as the point estimate for point forecasts, the mid-point of lower and upper bound for range forecasts, and the lower (upper) point estimate for lower (upper) bound for minimum (maximum) open-ended forecasts. This variable takes a value of zero when no management forecast is issued at the earnings announcement.
- AFTERHRS* An indicator variable equaling one if the firm's conference call begins outside of normal trading hours, 9:30 am to 4:00 pm EST, and equaling zero otherwise.
- AVOL* The abnormal trading volume, measured during the 30-minute window that begins when the conference calls starts.

| | |
|--------------------|--|
| <i>ARANGE</i> | The abnormal range in stock price, measured during the 30-minute window that begins when the conference calls starts. |
| <i>AVOLATIL</i> | The abnormal coefficient of variation in stock price, measured during the 30-minute window that begins when the conference calls starts. |
| <i>CLENGTH</i> | The number of words in the presentation portion of the firm's conference call. |
| <i>CCONLYSCORE</i> | The sum of points from management guidance items disclosed <i>exclusively</i> in the conference call. |
| <i>DISPER06</i> | The standard deviation of analysts' earnings forecasts listed in First Call for FY2006 immediately preceding the earnings announcement, scaled by stock price at the beginning of the fourth quarter. |
| <i>DISPERCHG</i> | The percentage difference between the consensus forecast dispersion immediately before the earnings announcement date and the consensus forecast dispersion 7 calendar days after the earnings announcement date. |
| <i>DISPERQ4</i> | The standard deviation of analysts' earnings forecasts listed in First Call for the fourth quarter of FY2005 immediately preceding the earnings announcement, scaled by stock price at the beginning of the fourth quarter. |
| <i>LITIG</i> | Indicator variable equaling one when firm's industry membership is in biotechnology (2833-2836 and 8731-8734), computers (3570-3577 and 7370-7374), electronics (3600-3674), and retail (5200-5961) industries and equaling zero otherwise (based on Francis, Philbrick, and Schipper 1994). |
| <i>LMV</i> | The natural log of the firm's market value of equity, measured at the beginning of the fourth quarter. |
| <i>MB</i> | The market-to-book ratio, measured at the fiscal year end of 2005. |
| <i>MISS</i> | A dummy variable equaling one if the firm's realized earnings for fiscal year 2005 are below the prevailing analyst consensus forecast at the time of the earnings announcement and equaling zero otherwise. |
| <i>NUMEST</i> | The number of analysts whose earnings estimates for FY2005 Q4 are included in the First Call consensus compiled before the earnings announcement for the event year. |
| <i>NUMIO</i> | The number of institutional owners reported for the event quarter, obtained from CDA Spectrum. |

| | |
|--------------------|---|
| <i>NYSE</i> | An indicator variable equaling one if the firm is listed on the NYSE exchange and equaling zero otherwise. |
| <i>PREVIOUS</i> | An indicator variable equaling one if the CIG database shows the firm has issued earnings guidance for fiscal year 2006 before the fiscal year 2005 earnings announcement date and equaling zero otherwise. |
| <i>PRLNGTH</i> | The number of words in the firm's press release. |
| <i>PROPORT</i> | The proportion of total earnings announcement score that the firm discloses exclusively in the conference call ($CCONLYSCORE / TOTALSCORE$). |
| <i>PRSCORE</i> | The sum of points from management guidance items disclosed in the press release. |
| <i>PRONLYSCORE</i> | The sum of points from management guidance items disclosed <i>exclusively</i> in the press release. |
| <i>PRTOCCMINS</i> | The number of minutes elapsed from the press release time stamp to the beginning of the conference call. |
| <i>SHTURN</i> | The mean monthly share turnover scaled by the mean number of shares outstanding over the 12-month period of fiscal year 2005. |
| <i>TOTALSCORE</i> | The sum of points from non-redundant management guidance items disclosed across the press release and the conference call ($PRSCORE + CCONLYSCORE$). |

TABLE 1**Forward-looking Disclosures and Scoring Mechanism**

| Category | Disclosure Type | Point Assignment |
|----------------------|---|-------------------------|
| Earnings | GAAP or pro-forma earnings | 10 |
| Revenue | Revenue or comparable store sales | 9 |
| Cash flow | Cash flows | 8 |
| Capital Expenditures | Capital expenditures | 7 |
| Recurring Cost | Gross margin | 7 |
| | Operating margin | 7 |
| | Selling, general, and administrative expenses | 4 |
| | R&D expense | 4 |
| | Depreciation expense | 3 |
| | Amortization expense | 3 |
| | Interest expense | 3 |
| | Tax expense or effective tax rate | 3 |

This table lists the points assigned to quantify the level (“score”) of management guidance disclosure in the earnings announcement press release and the presentation portion of the conference call of the S&P 500 firms’ fiscal year 2005 earnings announcements. The final sample consists of 451 firm-observations.

Notes:

1. “Earnings” includes forecasts of dollar earnings (earnings or earnings per share), as well as earnings growth.
2. “Revenue” includes forecasts of dollar revenue and revenue growth.
3. “Cash flow” includes operating cash flows and free cash flows.
4. The score listed in the table relates to scoring of range forecasts. For point forecasts, we add an additional point.

TABLE 2
Management Guidance Frequency by Category

| Forecast Type | # PR | # CC Only | # Total | Both |
|---|---------|--------------|------------|-------|
| Earnings | 219 | 36 | 255 | 77.3% |
| Revenue | 105 | 49 | 154 | 55.8% |
| Cash flows | 46 | 39 | 85 | 44.7% |
| Capital expenditures | 70 | 105 | 175 | 27.4% |
| Gross margin | 14 | 37 | 51 | 19.6% |
| Operating margin | 21 | 42 | 63 | 22.2% |
| Selling, general, and administrative expenses | 16 | 39 | 55 | 16.4% |
| R&D expense | 15 | 17 | 32 | 34.4% |
| Depreciation expense | 23 | 41 | 64 | 15.6% |
| Amortization expense | 21 | 8 | 29 | 34.5% |
| Interest expense | 25 | 40 | 65 | 15.4% |
| Tax expense or tax effective rate | 57 | 131 | 188 | 22.3% |

This table provides guidance disclosure frequency by category across the press release and conference call disclosure venues among 451 sample firms. “# PR” is the count of each category’s disclosure in the earnings announcement press release. “# CC Only” is the count of each category’s disclosure *exclusively* in the presentation portion of the earnings announcement conference call. “# Total” refers to the count of the category’s disclosure frequency unconditional of venue. “Both” indicates instances of firms disclosing the category in both the press release and conference call, expressed as a percentage of the “# Total”.

TABLE 3
Sample Descriptive Statistics

| Variable | Mean | Std. Dev. | First Quartile | Median | Third Quartile | n |
|--------------------|-------------|------------------|-----------------------|---------------|-----------------------|----------|
| <i>NYSE</i> | 0.845 | | | | | 451 |
| <i>CCONLYSCORE</i> | 8 | 10.1 | 0 | 4 | 12 | 451 |
| <i>PRSCORE</i> | 11 | 12.3 | 0 | 10 | 19 | 451 |
| <i>PRONLYSCORE</i> | 2 | 4.9 | 0 | 0 | 0 | 451 |
| <i>TOTALSCORE</i> | 19 | 15.1 | 7 | 17 | 30 | 451 |
| <i>PROPORT</i> | 0.477 | 0.405 | 0.000 | 0.418 | 1.000 | 372 |
| <i>PRTOCCMINS</i> | 247.8 | 308.7 | 60.0 | 123.0 | 240.0 | 451 |
| <i>PRLENGTH</i> | 1,685 | 1,261 | 931 | 1,394 | 2,097 | 451 |
| <i>CLENGTH</i> | 3,700 | 1,621 | 2,595 | 3,449 | 4,577 | 451 |
| <i>AFTERHRS</i> | 0.228 | | | | | 451 |

This table provides descriptive summary statistics for variables of interest. All variables are defined in Appendix E.

TABLE 4

Pearson Correlations between Key Variables

| | <i>PR SCORE</i> | <i>CC ONLY SCORE</i> | <i>TOT AL SCO</i> | <i>PRO POR T</i> | <i>AB SUR P</i> | <i>MISS</i> | <i>DISP ERQ 4</i> | <i>DISP ER06</i> | <i>SH TUR N</i> | <i>NUM IO</i> | <i>NUM EST</i> | <i>LITI G</i> | <i>PR LEN GTH</i> | <i>CC LEN GTH</i> |
|--------------------|---------------------|------------------------------|---------------------------|--------------------------|-------------------------|--------------|---------------------------|----------------------|-------------------------|-------------------|--------------------|-------------------|---------------------------|---------------------------|
| <i>PRSCORE</i> | | | | | | | | | | | | | | |
| <i>CCONLYSCORE</i> | -0.135 | | | | | | | | | | | | | |
| <i>TOTALSCORE</i> | 0.729 | 0.580 | | | | | | | | | | | | |
| <i>PROPORT</i> | -0.756 | 0.563 | -0.252 | | | | | | | | | | | |
| <i>ABSURP</i> | -0.104 | -0.027 | -0.104 | 0.167 | | | | | | | | | | |
| <i>MISS</i> | 0.015 | -0.089 | -0.049 | -0.015 | 0.106 | | | | | | | | | |
| <i>DISPERQ4</i> | -0.082 | -0.010 | -0.074 | 0.110 | 0.637 | 0.257 | | | | | | | | |
| <i>DISPER06</i> | -0.137 | -0.010 | -0.120 | 0.169 | 0.535 | 0.176 | 0.858 | | | | | | | |
| <i>SHTURN</i> | -0.147 | 0.040 | -0.093 | 0.210 | 0.128 | -0.019 | 0.133 | 0.197 | | | | | | |
| <i>NUMIO</i> | -0.057 | -0.009 | -0.054 | 0.033 | -0.127 | 0.063 | -0.102 | -0.077 | -0.230 | | | | | |
| <i>NUMEST</i> | -0.028 | 0.000 | -0.023 | 0.107 | -0.017 | 0.046 | -0.048 | 0.009 | 0.167 | 0.446 | | | | |
| <i>LITIG</i> | 0.099 | 0.034 | 0.105 | -0.011 | 0.025 | -0.027 | -0.007 | 0.056 | 0.273 | 0.102 | 0.306 | | | |
| <i>PRLNGTH</i> | 0.163 | -0.175 | 0.013 | -0.207 | 0.009 | 0.143 | 0.060 | 0.025 | -0.171 | 0.224 | 0.098 | -0.142 | | |
| <i>CCLNGTH</i> | 0.073 | 0.260 | 0.240 | 0.104 | 0.088 | 0.095 | 0.114 | 0.056 | -0.017 | 0.145 | 0.051 | 0.062 | 0.075 | |

This table provides pairwise Pearson correlation coefficients for key variables. Bolded coefficients represent significance at the 5% level or lower. All variables are defined in Appendix E.

TABLE 5**Univariate Statistics for Market Reaction**

| Variable | <u>High CCONLYSCORE</u> | | | <u>Low CCONLYSCORE</u> | | | Between Group Test | |
|-----------------|--------------------------------|--------|-----|-------------------------------|--------|-----|---------------------------|----------|
| | mean | median | n | mean | median | n | t-test | Wilcoxon |
| <i>ARANGE</i> | 1.385 | 1.003 | 217 | 1.244 | 0.916 | 234 | 1.11 | 1.09 |
| <i>AVOLATIL</i> | 1.290 | 0.907 | 217 | 1.172 | 0.821 | 234 | 0.88 | 0.99 |
| <i>AVOL</i> | 3.654 | 2.251 | 217 | 2.957 | 1.788 | 234 | 1.85* | 1.83* |
| <i>PRSCORE</i> | 1.853 | 0.000 | 217 | 2.342 | 0.000 | 234 | -1.05 | -0.97 |
| <i>ABSURP</i> | 0.002 | 0.001 | 217 | 0.002 | 0.001 | 234 | 0.07 | 0.75 |
| <i>DISPERQ4</i> | 0.001 | 0.000 | 217 | 0.001 | 0.001 | 234 | 0.04 | -0.74 |
| <i>DISPER06</i> | 0.004 | 0.002 | 217 | 0.005 | 0.002 | 234 | -0.44 | 0.51 |
| <i>LMV</i> | 9.364 | 9.300 | 217 | 9.473 | 9.442 | 234 | -1.11 | -1.41 |
| <i>PRLNGTH</i> | 1,508 | 1,286 | 217 | 1,850 | 1,506 | 234 | -2.90*** | -2.90*** |
| <i>CCLNGTH</i> | 3,975 | 3,601 | 217 | 3,444 | 3,244 | 234 | 3.52*** | 3.43*** |

This table provides univariate statistics partitioned on the level of *CCONLYSCORE*. A firm's *CCONLYSCORE* is classified as high if its *CCONLYSCORE* is greater than the sample median *CCONLYSCORE*, and as low otherwise. ***, ** and * represent two-tailed statistical significance at 1%, 5% and 10%, respectively. All variables are defined in Appendix E.

TABLE 6

Market Reaction to Management Guidance Disclosed in the Conference Call

| Variable | (Exp. sign) | <u>S&P 500</u> | | | (Exp. sign) | <u>NYSE Only</u> | | |
|--------------------|--------------------|---------------------------|---------------------|---------------------|--------------------|-------------------------|---------------------|---------------------|
| | | ARANGE | AVOLATIL | AVOL | | ARANGE | AVOLATIL | AVOL |
| <i>CONSTANT</i> | | 3.113*** (4.30) | 2.631*** (3.45) | 5.866*** (3.60) | | 3.234*** (4.14) | 2.733*** (3.36) | 5.047*** (3.03) |
| <i>CCONLYSCORE</i> | (+) | 0.023*** (2.71) | 0.022*** (2.39) | 0.052** (1.99) | (+) | 0.020** (2.31) | 0.020** (2.04) | 0.042* (1.64) |
| <i>PRSCORE</i> | (+) | 0.008 (1.25) | 0.008 (1.17) | 0.031 (1.27) | (+) | 0.009* (1.31) | 0.009 (1.24) | 0.038* (1.42) |
| <i>ABSURP</i> | | -47.672 (-1.54) | -42.446 (-1.32) | 110.16 (1.34) | | -45.603 (-1.48) | -40.152 (-1.26) | 96.082 (1.19) |
| <i>DISPERQ4</i> | | 28.251 (0.47) | 30.849 (0.47) | -234.102 (-1.31) | | 13.203 (0.22) | 17.594 (0.26) | -255.074 (-1.40) |
| <i>DISPER06</i> | | -4.462 (-0.24) | -3.498 (-0.18) | 10.768 (0.24) | | 2.060 (0.10) | 2.239 (0.11) | 19.226 (0.41) |
| <i>LMV</i> | | -0.206*** (-2.88) | -0.156** (-2.03) | -0.369** (-2.14) | | -0.225*** (-2.92) | -0.172** (-2.12) | -0.316* (-1.77) |
| <i>PRLNGTH</i> | | 0.000 (0.46) | 0.000 (0.71) | 0.000 (1.28) | | 0.000 (0.04) | 0.000 (0.20) | 0.000 (1.05) |
| <i>CCLNGTH</i> | | 0.000 (0.38) | 0.000 (0.88) | 0.000 (0.22) | | 0.000 (0.35) | 0.000 (0.93) | 0.000 (0.25) |
| R ² | | 7.13% | 5.73% | 5.79% | | 6.72% | 5.27% | 5.40% |
| Observations | | 348 | 348 | 348 | | 323 | 323 | 323 |

This table provides the empirical results of estimating equation (1). *T*-statistics computed using Huber-White robust standard errors, clustered on the 12 Fama-French (1997) industries, are reported in parentheses. ***, ** and * represent statistical significance at 1%, 5% and 10%, respectively, where significance is reported using a one-tailed test for coefficients with predicted signs and using a two-tailed test otherwise. Market reaction is measured using three methods over a 30-minute window that begins at the start of the conference call: 1) abnormal stock price range (*ARANGE*), 2) abnormal coefficient of variation in stock price (*AVOLATIL*), and 3) abnormal trading volume (*AVOL*). Regressions are estimated using all firms hosting conference call during trading hours (“S&P 500”) and the subset of NYSE-listed firms (“NYSE Only”). The upper and lower 1% of the continuous independent variables are winsorized to mitigate the effect of outliers. All variables are defined in Appendix E.

TABLE 7

Univariate Statistics for Venue Choice

Panel A

| Variable | <u>High <i>PROPORT</i></u> | | | <u>Low <i>PROPORT</i></u> | | | Between Group Test | |
|-----------------|-----------------------------------|--------|-----|----------------------------------|--------|-----|---------------------------|----------|
| | mean | median | n | mean | median | n | t-test | Wilcoxon |
| <i>SHTURN</i> | 1.910 | 1.418 | 186 | 1.395 | 1.162 | 186 | 3.91*** | 2.94*** |
| <i>LITIG</i> | 0.258 | 0.000 | 186 | 0.306 | 0.000 | 186 | $\chi^2=1.07$ | |
| <i>NYSE</i> | 0.839 | 1.000 | 186 | 0.855 | 1.000 | 186 | $\chi^2=0.19$ | |
| <i>ABSURP</i> | 0.002 | 0.001 | 186 | 0.001 | 0.001 | 186 | 3.10*** | 1.69* |
| <i>DISPER06</i> | 0.005 | 0.003 | 186 | 0.003 | 0.002 | 186 | 3.10*** | 3.95*** |
| <i>NUMIO</i> | 448.0 | 373.0 | 181 | 433.2 | 369.0 | 183 | 0.61 | 0.32 |
| <i>NUMEST</i> | 15.04 | 14.00 | 186 | 13.98 | 14.00 | 186 | 1.57 | 1.41 |
| <i>PREVIOUS</i> | 0.210 | 0.000 | 186 | 0.301 | 0.000 | 186 | $\chi^2=4.09^{**}$ | |
| <i>AFTERHRS</i> | 0.242 | 0.000 | 186 | 0.199 | 0.000 | 186 | $\chi^2=1.00$ | |
| <i>LMV</i> | 9.419 | 9.344 | 186 | 9.348 | 9.291 | 186 | 0.67 | 0.29 |
| <i>MB</i> | 4.269 | 2.723 | 184 | 4.728 | 3.068 | 185 | -0.56 | -1.44 |

Panel B

| Variable | <u>High <i>PROPORT</i></u> | | | <u>Low <i>PROPORT</i></u> | | | Between Group Test | |
|---------------------|-----------------------------------|--------|-----|----------------------------------|--------|-----|---------------------------|----------|
| | mean | median | n | mean | median | n | t-test | Wilcoxon |
| <i>ABSMEDIANCHG</i> | 0.003 | 0.001 | 182 | 0.002 | 0.001 | 180 | 1.61 | 0.84 |
| <i>ABSMEANCHG</i> | 0.003 | 0.001 | 182 | 0.002 | 0.001 | 180 | 2.51** | 1.89* |
| <i>DISPERCHG</i> | -0.089 | -0.114 | 182 | -0.039 | -0.111 | 180 | -1.05 | 0.03 |
| <i>ABRET</i> | 0.041 | 0.029 | 185 | 0.038 | 0.029 | 186 | 0.91 | 0.70 |
| <i>MISS</i> | 0.237 | 0.000 | 186 | 0.258 | 0.000 | 186 | $\chi^2=0.23$ | |
| <i>ABGUIDENEWS</i> | 0.001 | 0.000 | 184 | 0.002 | 0.001 | 182 | -1.49 | -6.29*** |

This table provides univariate statistics partitioned on the level of *PROPORT*. A firm's *PROPORT* is classified as high if its *PROPORT* is greater than the sample median *PROPORT*, and as low otherwise. Observations used are the 372 firms with at least one management guidance disclosure (i.e., *TOTALSCORE*>0), though some variables have fewer than 372 observations due to missing data. ***, ** and * represent two-tailed statistical significance at 1%, 5% and 10%, respectively. All variables are defined in Appendix E.

TABLE 8**Proportion of Total Disclosure Provided Exclusively in Conference Call**

| Variable | (Exp. sign) | <i>PROPORT</i> |
|------------------|----------------|----------------------|
| <i>INTERCEPT</i> | | -2.560** (-2.19) |
| <i>SHTURN</i> | (+) | 0.3822*** (2.78) |
| <i>LITIG</i> | (-) | -0.450*** (-3.54) |
| <i>NYSE</i> | (-) | 0.229 (0.62) |
| <i>ABSURP</i> | (+) | 76.205** (2.12) |
| <i>DISPER06</i> | (+) | 29.552** (1.88) |
| <i>NUMIO</i> | (+) | 0.000 (0.65) |
| <i>NUMEST</i> | (+) | 0.012 (0.75) |
| <i>PREVIOUS</i> | (-) | -0.561*** (-3.52) |
| <i>AFTERHRS</i> | | 0.086 (0.34) |
| <i>LMV</i> | | 0.142 (1.07) |
| <i>MB</i> | | 0.0031 (0.19) |
| R ² | | 11.8 |
| Observations | | 361 |

This table provides the results of estimating equation (2). We implement Papke and Wooldridge (1996)'s GLM method for fractional dependent variables. *T*-statistics computed using Huber-White robust standard errors, clustered on the 12 Fama-French (1997) industries, are reported in parentheses. *** and ** represent one-tailed statistical significance at the 1% and 5% levels, respectively, where significance is reported using a one-tailed test for coefficients with predicted signs and using a two-tailed test otherwise. The upper and lower 1% of continuous independent variables are winsorized to mitigate the effect of outliers. All variables are defined in Appendix E.

TABLE 9
Analyst Reaction to Management Guidance

| Variable | (Exp. sign) | ABMED CHG | ABMEAN CHG | (Exp. sign) | DISPER CHG |
|--------------------|--------------------|----------------------|-----------------------|--------------------|-----------------------|
| <i>INTERCEPT</i> | | 0.001 (1.07) | 0.001 (1.06) | | -0.255 (-0.96) |
| <i>PROPORT</i> | (+) | 0.0004** (2.07) | 0.001*** (3.03) | (-) | -0.021 (-0.50) |
| <i>ABRET</i> | (+) | 0.023*** (5.26) | 0.025*** (5.38) | (?) | 1.070** (2.66) |
| <i>ABSURP</i> | (+) | 0.421*** (3.71) | 0.466** (2.58) | (?) | -13.791** (-2.26) |
| <i>MISS</i> | (+) | 0.001*** (2.73) | 0.001** (2.42) | (?) | 0.082 (1.45) |
| <i>MISS*ABSURP</i> | (+) | -0.032 (-0.24) | 0.058 (0.25) | (?) | 12.770 (0.86) |
| <i>ABGUIDESURP</i> | (+) | 0.212** (2.31) | 0.352** (2.28) | (?) | 9.597 (0.68) |
| <i>LMV</i> | | 0.000 (-1.19) | 0.000* (-1.66) | | 0.012 (0.45) |
| <i>MB</i> | | 0.000 (0.11) | 0.000 (-0.22) | | 0.005** (2.65) |
| R ² | | 30.30% | 36.85% | | 3.05% |
| Observations | | 358 | 358 | | 358 |

This table provides the results of estimating equation (3). *T*-statistics computed using Huber-White robust standard errors, clustered on the 12 Fama-French (1997) industries, are reported in parentheses. ***, ** and * represent statistical significance at 1%, 5% and 10%, respectively, where significance is reported using a one-tailed test for coefficients with predicted signs and using a two-tailed test otherwise. Analyst reaction, from immediately prior to the earnings announcement to seven calendar days later, is measured using three methods: 1) the absolute change in median consensus forecast, scaled by price (*ABMEDCHG*), 2) the absolute change in mean consensus forecast, scaled by price (*ABMEANCHG*), and 3) the percentage change in forecast dispersion, where dispersion is measured as the standard deviation of analyst forecasts (*DISPERCHG*). The upper and lower 1% of continuous variables are winsorized to mitigate the effect of outliers. All variables are defined in Appendix E.