

# Guidance Practices & Preferences - 2008



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There are three types of guidance we ask about in this survey.

The first section deals specifically with earnings guidance (i.e. earnings per share or EPS).

The second section moves on to deal more broadly with financial guidance (i.e. all quantitative economic measures of a company's performance including revenue, cash flow, EBITDA, operating income, gross margin, expenses, CAPEX, tax rate, etc.).

The third type of guidance is non-financial guidance, by which we mean any information about current market or business conditions that have the potential to impact company performance and are not typically reflected in a company's financial statements.

**1. Does your company provide earnings guidance?**

Yes	231	64%
No	130	36%
<b>Total</b>	<b>361</b>	<b>100%</b>

*The following questions were presented to those who answered "Yes" to question 1: Do you provide earnings guidance?*

**2. Do you provide earnings guidance as a:**

Fixed estimate	11	5%
Range: less than 5%	104	46%
Range: greater than 5%	84	37%
Other, please specify	27	12%
<b>Total</b>	<b>226</b>	<b>100%</b>

**3. Why do you provide earnings guidance? (Please select all that apply)**

The company has better visibility than non-insiders	98	44%
To ensure sell-side consensus and market expectations are reasonable	200	89%
General policy	55	24%
Revenue/earnings visibility	99	44%
Company performance	33	15%
Competitive industry conditions	31	14%
Peers provide guidance	100	44%
Investors or sell-side request	76	34%
Other, please specify	20	9%

**4. How often do you provide earnings guidance?**

Quarterly	107	47%
Mid-quarterly	0	0%
Annually	22	10%
Annually with quarterly updates	78	34%
As needed	8	4%
Undecided/Don't Know	0	0%
Other, please specify	12	5%
<b>Total</b>	<b>227</b>	<b>100%</b>

**5. Do you provide earnings guidance for:**

Annual estimates	125	55%
Quarterly estimates	78	34%
Monthly estimates	0	0%
Other, please specify	24	11%
<b>Total</b>	<b>227</b>	<b>100%</b>

*The following questions were presented to those who answered "No" to question 1: Do you provide earnings guidance?*

**6. Why doesn't your company provide quarterly earnings guidance? (Select all that apply)**

Change in the financial outlook of the organization	3	2%
Low earnings visibility	20	15%
Management philosophy	60	44%
Senior management/Board request	15	11%
Investor request	1	1%
Competitor/peer discontinued guidance	8	6%
Industry trends	8	6%
Focus on long term company performance	102	74%
Don't Know	0	0%
Other, please specify	28	20%

*The following questions were a "branch" of the survey presented to those who answered "Yes" to question 1: Do you provide earnings guidance?*

**7. Now thinking more broadly, does your company provide guidance on other financial performance measurements (such as revenue, cash flow, EBITDA, operating income, gross margin, expenses, CAPEX, tax rate, etc.)?**

Yes	212	94%
No	14	6%
<b>Total</b>	<b>226</b>	<b>100%</b>

**8. Why doesn't your company provide other (i.e. excluding earnings) financial guidance? (Select all that apply)**

General policy	5	38%
Change in the financial outlook of the organization	0	0%
Low earnings visibility	0	0%
Management philosophy	6	46%
Senior management/Board request	0	0%
Investor request	0	0%
Competitor/peer discontinued guidance	0	0%
Industry trends	1	8%
Focus on long term company performance	7	54%
Don't Know	1	8%

**9. Has your company ever provided other financial guidance (excluding earnings guidance)?**

Yes	2	14%
No	12	86%
<b>Total</b>	<b>14</b>	<b>100%</b>

**10. When did your company stop providing financial guidance?**

In the past 6 months	0	0%
Between 6 and 12 months ago	0	0%
Between 13 to 24 months ago	0	0%
Over 24 months ago	0	0%
Don't Know	1	100%
<b>Total</b>	<b>1</b>	<b>100%</b>

**11. Why did your company choose to discontinue financial guidance? (Please select all that apply)**

Senior management decision	0	0%
Board of Directors decision	0	0%
Investor relations officer decision	0	0%
Outside counsel recommendation/decision	0	0%
Investor request	0	0%
Competitors discontinued guidance	0	0%
Don't Know	1	100%
Other, please specify	0	0%

**12. Since discontinuing financial guidance, has there been a change to the spread of analyst estimates?**

No, there's been no appreciable change.	1	100%
Yes, the spread has narrowed.	0	0%
Yes, the spread has widened.	0	0%
<b>Total</b>	<b>1</b>	<b>100%</b>

13. Is your company considering providing financial guidance in the future?		
Yes	2	15%
No	11	85%
<b>Total</b>	<b>13</b>	<b>100%</b>

14. How often do you plan on providing financial guidance?		
Quarterly	0	0%
Mid-quarterly	0	0%
Annually	1	50%
Annually with quarterly updates	0	0%
As needed	1	50%
Undecided/Don't Know	0	0%
Other, please specify	0	0%
<b>Total</b>	<b>2</b>	<b>100%</b>

15. Which of the following factors would have the greatest impact in your consideration to provide financial guidance in the future? (Select one)		
Investor/Analyst request	0	0%
Stock price volatility/valuation	0	0%
Low earnings visibility	0	0%
Change in business structure	0	0%
Change in management philosophy	1	50%
Board request	1	50%
Competitor/peer provides guidance	0	0%
Industry trends	0	0%
Other, please specify	0	0%
<b>Total</b>	<b>2</b>	<b>100%</b>

*The following questions were a "branch" of the survey presented to those who answered "No" to question 1: Do you provide earnings guidance?*

16. Why doesn't your company provide earnings guidance? (Select all that apply)		
Change in the financial outlook of the organization	5	4%
Low earnings visibility	41	32%
Management philosophy	75	59%
Senior management/Board request	28	22%
Investor request	2	2%
Competitor/peer discontinued guidance	3	2%
Industry trends	21	16%
Focus on long term company performance	72	56%
Don't Know	0	0%
Other, please specify	27	21%

**17. Now thinking more broadly, does your company provide guidance on other financial performance measurements (such as revenue, cash flow, EBITDA, operating income, gross margin, expenses, CAPEX, tax rate, etc.)?**

Yes	90	70%
No	38	30%
<b>Total</b>	<b>128</b>	<b>100%</b>

*The following questions were presented to those who answered "No" to question 17: Do you provide guidance on financial performance measures?*

**18. Why doesn't your company provide other financial guidance? (Select all that apply)**

General policy	14	38%
Change in the financial outlook of the organization	1	3%
Low earnings visibility	10	27%
Management philosophy	21	57%
Senior management/Board request	7	19%
Investor request	1	3%
Competitor/peer discontinued guidance	0	0%
Industry trends	1	3%
Focus on long term company performance	21	57%
Don't Know	0	0%
Other, please specify	5	14%

**19. Has your company ever provided financial guidance (including earnings guidance)?**

Yes	19	51%
No	18	49%
<b>Total</b>	<b>37</b>	<b>100%</b>

**20. When did your company stop providing financial guidance?**

In the past 6 months	5	26%
Between 6 and 12 months ago	2	11%
Between 13 to 24 months ago	3	16%
Over 24 months ago	9	47%
Don't Know	0	0%
<b>Total</b>	<b>19</b>	<b>100%</b>

21. Why did your company choose to discontinue financial guidance? (Please select all that apply)		
Senior management decision	12	63%
Board of Directors decision	5	26%
Investor relations officer decision	3	16%
Outside counsel recommendation/decision	2	11%
Investor request	1	5%
Competitors discontinued guidance	0	0%
Don't Know	0	0%
Other, please specify	6	32%

22. Since discontinuing financial guidance, has there been a change to the spread of analyst estimates?		
No, there's been no appreciable change.	12	63%
Yes, the spread has narrowed.	1	5%
Yes, the spread has widened.	6	32%
<b>Total</b>	<b>19</b>	<b>100%</b>

23. Is your company considering providing financial guidance in the future?		
Yes	11	30%
No	26	70%
<b>Total</b>	<b>37</b>	<b>100%</b>

24. How often do you plan on providing financial guidance?		
Quarterly	2	18%
Mid-quarterly	0	0%
Annually	1	9%
Annually with quarterly updates	0	0%
As needed	0	0%
Undecided/Don't Know	7	64%
Other, please specify	1	9%
<b>Total</b>	<b>11</b>	<b>100%</b>

25. Which of the following factors would have the greatest impact in your consideration to provide financial guidance in the future? (Select one)		
Investor/Analyst request	1	9%
Stock price volatility/valuation	1	9%
Low earnings visibility	5	45%
Change in business structure	0	0%
Change in management philosophy	2	18%
Board request	0	0%
Competitor/peer provides guidance	0	0%
Industry trends	1	9%
Other, please specify	1	9%
<b>Total</b>	<b>11</b>	<b>100%</b>

The following section was presented to those who responded "Yes" to question 7 OR question 17: Do you provide guidance on financial performance measures?

The next series of questions address financial guidance excluding earnings guidance.

26. On which of the following financial measurements does your company currently provide guidance? (Please select all that apply)

Revenue	203	68%
Cash flow	97	32%
Capital Expenditures	197	66%
Gross Margin	92	31%
EBITDA	61	20%
Tax rate	203	68%
Other, please specify	107	36%

27. Why do you provide guidance on financial measurements (excluding earnings guidance)? (Please select all that apply)

The company has better visibility than non-insiders	118	40%
To ensure sell-side consensus and market expectations are reasonable	231	78%
General policy	78	26%
Revenue/earnings visibility	114	38%
Company performance	45	15%
Competitive industry conditions	39	13%
Peers provide guidance	77	26%
Investors or sell-side request	104	35%
Other, please specify	30	10%

28. Do you provide financial guidance (excluding earnings guidance) as a:

Fixed estimate	36	12%
Range: less than 5%	114	39%
Range: greater than 5%	69	23%
A percent of a particular financial measure	21	7%
Earnings model	4	1%
Other, please specify	52	18%
<b>Total</b>	<b>296</b>	<b>100%</b>

29. Do you provide financial guidance (excluding earnings guidance) for:

Long-term estimates (more than 1 year out)	33	11%
Annual estimates	177	60%
Quarterly estimates	53	18%
Monthly estimates	1	0%
Other, please specify	30	10%
<b>Total</b>	<b>294</b>	<b>100%</b>

**30. How often do you provide financial guidance (excluding earnings guidance)?**

Quarterly	118	39%
Mid-quarterly	0	0%
Annually	45	15%
Annually with quarterly updates	100	33%
As needed	25	8%
Undecided/Don't Know	2	1%
Other, please specify	9	3%
<b>Total</b>	<b>299</b>	<b>100%</b>

**The next few questions address financial guidance including earnings guidance.**

**31. How do you currently provide financial guidance? (Please select all that apply)**

Quarterly financial news release	231	78%
Fully accessible conference call/web cast	152	51%
Quarterly conference call/Web cast	226	76%
10-Q or 10-K	93	31%
8-K	104	35%
Other, please specify	10	3%

**32. Would you update financial guidance during the year or quarter if there is a material change?**

Yes, if there was a positive material change only	3	1%
Yes, if there was a negative material change only	18	6%
Yes, if there was a positive or negative material change	239	80%
No	37	12%
<b>Total</b>	<b>297</b>	<b>100%</b>

**33. How do you provide updates on financial guidance if there is a material change? (Please select all that apply)**

Quarterly financial news release	171	67%
Fully accessible conference call/web cast	105	41%
Quarterly conference call/web cast	127	50%
10-Q or 10-K	56	22%
8-K	143	56%
One-on-one meetings	6	2%
Investor conferences	23	9%
Other, please specify	45	18%

**34. Do you reiterate your financial guidance?**

Yes	162	55%
No	133	45%
<b>Total</b>	<b>295</b>	<b>100%</b>

**35. How do you reiterate your financial guidance? (Please select all that apply.)**

Quarterly financial news release	111	69%
Fully accessible conference call/web cast	77	48%
Quarterly conference call/web cast	108	67%
10-Q or 10-K	44	27%
8-K	54	34%
One-on-one meetings	39	24%
Investor conferences	61	38%
Other, please specify	14	9%

**36. Is your company considering changing the frequency with which you provide financial guidance?**

Yes	28	9%
No	258	87%
Don't Know	9	3%
<b>Total</b>	<b>295</b>	<b>100%</b>

**37. Which of the following are you considering changing to?**

Quarterly	3	11%
Mid-quarterly	0	0%
Annually	7	26%
Annually with quarterly updates	7	26%
As needed	1	4%
Undecided/Don't Know	5	19%
Other, please specify	4	15%
<b>Total</b>	<b>27</b>	<b>100%</b>

**38. Is your company considering discontinuing financial guidance?**

Yes	23	8%
No	271	92%
<b>Total</b>	<b>294</b>	<b>100%</b>

**39. Why is your company considering discontinuing financial guidance? (Please select all that apply)**

Change in the financial outlook of the organization	0	0%
Low earnings visibility	5	23%
Change in management philosophy	9	41%
Senior management/board request	6	27%
Investor request	0	0%
Competitor/peer discontinued guidance	3	14%
Industry trends	3	14%
Focus on long term company performance	17	77%
Other, please specify	2	9%

**40. Does your company provide guidance on non-financial performance measurements (such as current market or business conditions that have the potential to impact company performance and are not typically reflected in a company's financial statements)?**

Yes	196	57%
No	147	43%
<b>Total</b>	<b>343</b>	<b>100%</b>

*The following questions were presented to those who responded "Yes" to question 40: Does your company provide guidance on non-financial performance measurements?*

**41. On which of the following non-financial measurements does your company currently provide guidance? (Please select all that apply.)**

Qualitative statements about market conditions	148	76%
Trend information that may impact the business of the company	135	70%
Non-financial metrics or key performance indicators (KPIs)	62	32%
Industry-specific information	124	64%
Estimates or forecasts of factors that may drive earnings	72	37%
Qualitative statements about high-level performance measures	66	34%
Environmental, social and governance factors	33	17%
Other, please specify	8	4%

**42. Why do you provide guidance on non-financial measurements? (Please select all that apply)**

The company has better visibility than non-insiders	91	48%
To ensure sell-side consensus and market expectations are reasonable	148	77%
General policy	47	25%
Company performance	39	20%
Competitive industry conditions	49	26%
Peers provide guidance	34	18%
Investors or sell-side request	60	31%
Other, please specify	20	10%

**43. How often do you provide guidance on non-financial measures?**

Quarterly	96	49%
Mid-quarterly	0	0%
Annually	11	6%
Annually with quarterly updates	25	13%
As needed	59	30%
Undecided/Don't Know	0	0%
Other, please specify	3	2%
<b>Total</b>	<b>194</b>	<b>100%</b>

The following questions are intended to explore your personal opinion on the practice and value of providing guidance.

**44. To what extent do you agree or disagree with each of the following statements about earnings guidance?**

(Scale: 1 - 5 where 1 = Strongly agree, 5 = Strongly disagree)

Top number is the count of respondents selecting the option. Bottom % is percent of the total respondents selecting the option.	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree
It is generally a best practice to provide quarterly earnings guidance.	25 8%	51 15%	73 22%	111 33%	72 22%
It is generally a best practice to provide earnings guidance on an annual basis.	64 19%	121 36%	76 23%	48 14%	24 7%

**45. To what extent do you agree or disagree with each of the following statements about financial guidance excluding earnings guidance?**

(Scale: 1 - 5 where 1 = Strongly agree, 5 = Strongly disagree)

Top number is the count of respondents selecting the option. Bottom % is percent of the total respondents selecting the option.	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree
It is generally a best practice to provide financial guidance (excluding earnings guidance) on a quarterly basis.	30 9%	77 23%	98 30%	84 25%	41 12%
It is generally a best practice to provide financial guidance (excluding earnings guidance) on an annual basis.	72 22%	140 42%	76 23%	28 8%	14 4%
It is generally a best practice to provide financial guidance (excluding earnings guidance) on a longer term or as-needed basis (i.e. when material changes occur).	73 22%	133 40%	88 27%	21 6%	16 5%

**46. To what extent do you agree or disagree with each of the following statements about non-financial guidance?**

(Scale: 1 - 5 where 1 = Strongly agree, 5 = Strongly disagree)

Top number is the count of respondents selecting the option. Bottom % is percent of the total respondents selecting the option.	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree
It is generally a best practice to provide non-financial guidance on a quarterly basis.	48 15%	85 26%	108 33%	56 17%	31 9%
It is generally a best practice to provide non-financial guidance on an annual basis.	55 17%	111 34%	109 34%	37 11%	13 4%
It is generally a best practice to provide non-financial guidance on a longer term or as-needed basis (i.e. when material changes occur).	59 18%	116 35%	109 33%	31 9%	14 4%

**47. What is your company's market cap size?**

Micro-cap: Less than \$250 million	24	7%
Small-cap: \$250 million to less than \$2 billion	121	37%
Mid-cap: \$2 billion to less than \$10 billion	124	38%
Large-cap: \$10 billion to less than \$25 billion	35	11%
Mega-cap: \$25 billion and above	21	6%
<b>Total</b>	<b>325</b>	<b>100%</b>

**48. On what exchange is your company listed? (Select all that apply)**

NYSE Euronext	208	62%
NASDAQ	113	34%
AMEX	6	2%
London	0	0%
Tokyo	0	0%
Toronto	5	1%
Other, please specify	13	4%

**49. How many sell-side analysts currently cover your company?**

None	6	2%
1 to 4	36	11%
5 to 9	104	31%
10 to 14	80	24%
15 to 19	47	14%
20 or more	63	19%
<b>Total</b>	<b>336</b>	<b>100%</b>

**50. Which of the following best describes your company's industry?**

Accommodation and Food Services (NAICS 72)	8	3%
Administrative and Support and Waste Management and Remediation Services (NAICS 56)	2	1%
Agriculture, Forestry, Fishing and Hunting (NAICS 11)	0	0%
Arts, Entertainment, and Recreation (NAICS 71)	7	2%
Construction (NAICS 23)	2	1%
Educational Services (NAICS 61)	4	1%
Health Care and Social Assistance (NAICS 62)	25	8%
Information (NAICS 51)	24	8%
Management of Companies and Enterprises (NAICS 55)	2	1%
Manufacturing (NAICS 31-33)	82	26%
Mining, Quarrying, and Oil and Gas Extraction (NAICS 21)	18	6%
Finance and Insurance (NAICS 52) & Other Services (NAICS 81)	52	16%
Professional, Scientific, and Technical Services (NAICS 54)	23	7%
Real Estate and Rental and Leasing (NAICS 53)	11	3%
Transportation and Warehousing (NAICS 48-49)	9	3%
Utilities (NAICS 22)	23	7%
Wholesale & Retail Trade (NAICS 42, 44, 45)	27	8%
<b>Total</b>	<b>319</b>	<b>100%</b>