Guiding in the Face of an Obligation to Update: Withdrawals, Unbundling, and Other Changes in Communication

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Abstract

While prior research generally views management guidance as a form of voluntary disclosure, managers face an obligation to update previously provided forecasts that are no longer accurate or appropriate. In this study, we examine the extent to which managers' communication decisions regarding annual earnings guidance differ when faced with this obligation, what factors determine these changes in communication, and what implications the changes have for equity investors. Despite the importance of disclosure policy in earnings guidance communication, we document that the majority of firms change the manner in which they communicate earnings guidance when faced with an obligation to update. In fact, a substantial number of these firms choose disclosure alternatives that are unlikely to be chosen under a normal guidance setting, such as withdrawing the initial forecast, unbundling a forecast update and changing the emphasis of the guidance section of the earnings announcement. Further, these unique disclosure choices have important implications for financial analysts and equity investors. Collectively, our research demonstrates that when managers face an obligation to update, the incentives and disclosure outcomes for earnings guidance are significantly different from those absent such an obligation. Future research should consider treating management forecasts with an obligation to update as distinctly different observations than those without such an obligation.

Keywords: Management guidance; obligation to update; forecast withdrawals; forecast revisions; forecast bundling; forecast emphasis

1. Introduction

Managers are generally not obligated to disclose internally developed earnings forecasts. As such, decades of accounting research has viewed management guidance as a form of voluntary disclosure and has sought to understand when and why managers issue forecasts and what the implications are for equity investors (see Hirst et al., 2008, for a review). While this literature provides important insights into the issuance of management guidance, a related disclosure decision has received limited attention: how do firm managers respond when facing a situation where their initial forecast is no longer appropriate (hereafter a "material deviation")?

The disclosure decisions surrounding these material deviations are particularly interesting as management is obligated to update the previously provided forecast that is no longer appropriate. As such, management is focused predominantly on *how* to respond to the material deviation, rather than *whether* to disclose. While practitioners recommend that earnings guidance communication be largely driven by internal disclosure policy (Morrison and Foerster, 2015), it is unclear whether managers deviate from these practices when faced with an obligation to update, and if so, why they deviate. In this study, we examine the extent to which managers' communication regarding annual earnings guidance differs when faced with an obligation to update, what factors determine these changes in communication, and what implications the changes have for equity investors.

We begin by providing descriptive evidence on the percent of firms facing material deviations and the manner in which these firms choose to respond. Using ex post earnings surprises of one percent of price as a benchmark of materiality, we document that approximately one third of companies that issue an annual earnings forecast face a material deviation during the fiscal year. We validate that our material deviation cutoff is a reasonable proxy for the obligation to update by

documenting that 97% of these firms take action to inform the market of a material deviation. Interestingly, we find that the majority (57%) of these firms also change the manner in which they communicate annual earnings guidance, relative to their first forecast. Specifically, 55% of the changers emphasize or downplay the guidance update within the press release; 36% change whether the guidance update is bundled with an earnings announcement; and, surprisingly, 9% of the firms that change their disclosure behavior fully withdraw their initial forecast, telling investors not to rely upon it but providing no update to the guidance.

Because prior research documents significant benefits to management guidance, we find the decision to withdraw to be particularly surprising and potentially unique to our setting. As such, we begin our analysis by investigating the determinants and consequences of managers' decision to withdraw their initial forecast. While prior literature explores the practice of discontinuing guidance (e.g., Chen et al., 2011), withholding information (e.g., Hollander et al., 2009), and redacting information (e.g., Verrecchia and Weber, 2006), there is limited empirical evidence on the pull back or withdrawal of outstanding information.[1] We predict that the obligation to update creates a dilemma for managers when they face increased uncertainty and legal concerns. That is, while managers face an obligation to update, they may also face circumstances where they "know something with such great uncertainty that legal worries" would normally prevent them from disclosing (Lundholm and Van Winkle, 2006). Therefore, managers elect to withdraw the previously disclosed annual earnings guidance to satisfy both the obligation to update and their preference for non-disclosure.

[1] We note that the decision to withdraw annual guidance is generally unrelated to the phenomenon of firms discontinuing or stopping quarterly guidance (as explored in Chen et al, 2011 and Houston et al, 2010). Empirically, this is most evident by the fact that 95% of our withdrawal firms continue to provide guidance in the future.

We provide evidence consistent with this prediction. Specifically, we document a positive association between increases in factors associated with managerial uncertainty and the likelihood of withdrawing annual guidance. Further, we find that that withdrawals are more likely in circumstances where measures commonly associated with litigation risk (e.g., bad news and the presence of a prior lawsuit) are also increasing.

We next examine the market consequences of withdrawing guidance, after controlling for the choice to withdraw (by entropy balancing on the withdrawal determinants). Consistent with our expectations, we document that withdrawing firms have significantly lower returns, a greater increase in stock return volatility, and a greater increase in bid-ask spreads than updating firms in the three days surrounding the announcement. Specifically, the three-day returns for withdrawing firms are 4% lower than updating firms. Further, bid-ask spreads (stock return volatility) surrounding the withdrawal announcement increase by 3.5 (1.3) times more than the mean increase for update announcements. These results are particularly interesting, as they suggest that withdrawals immediately counteract at least a portion of the benefits normally associated with providing guidance, such as reduced information asymmetry (Coller and Yohn, 1997), reduced volatility (Billings et al., 2015), and a reduced cost of capital (Baginski and Rakow, 2012).

We also examine the analyst responses surrounding withdrawal announcements, relative to other update announcements. We do not find significant differences in the consensus adjustment following the announcements; however, we do find a significant increase in analyst dispersion (consistent with an increase in uncertainty). Further, analyst forecast errors (absolute forecast errors) for the forecast revisions following the withdrawal announcements are significantly more negative (positive) than those following update announcements. Collectively, these results suggest

that analysts do not fully impound the implications of withdrawal announcements into their forecasts, leading to overly optimistic forecasts after the withdrawal.

Having explored the determinants and consequences of withdrawals, we transition to another relatively uncommon communication choice by firms facing an obligation to update – the "unbundling" of the guidance update from an earnings announcement. Prior research documents that the overwhelming majority of guidance now comes bundled with an earnings announcement (Anilowski et al., 2007; Rogers and Van Buskirk, 2013; Billings et al., 2015). As such, it is a relatively rare occurrence for firms with a normal practice of bundling guidance to issue an unbundled forecast. The obligation to update, however, likely presents a different cost-benefit tradeoff for the bundling decision. We predict that the increased litigation concerns associated with the obligation to update (e.g., Rogers and Van Buskirk, 2009) create an incentive for managers to clearly, and saliently, inform the market that they are satisfying this obligation to update. As such, managers are more likely to unbundle their guidance when the information is easier to process in isolation as opposed to bundled with earnings, when the update has a greater opportunity to reach investors and align investor expectations, and when faced with higher legal concerns.

We provide evidence consistent with these expectations. Specifically, we show that firms facing information that would be more difficult to process together (i.e., opposite signed earnings and revision surprises, bad news earnings surprises, and large earnings surprises) are more likely to unbundle. Further, we document that managers are more likely to unbundle in circumstances where they have a greater opportunity to reach investors and align their expectations, such as high media coverage and recent increases in analyst disagreement. Finally, we document that unbundling is more likely when legal concerns are high (e.g., bad news update) and when the incentives from the obligation to update are strongest (large revisions).

We then turn to the market consequences of unbundling the guidance update, relative to issuing the update in a bundled earnings announcement. We predict that market participants will be more attentive to unbundled guidance updates and, therefore, rely more heavily on their information. While we do not find evidence of this prediction in our market return tests, we document strong evidence of differential reliance by financial analysts. Whereas analysts only impound between 62 and 86 percent of the unexpected revision into their forecast revision following a bundled update, analysts impound the entire unexpected revision into their forecast revision following an unbundled update. Further, we also provide evidence that analyst revisions after unbundled forecast updates are more accurate, as the absolute forecast errors are lower for the analyst forecasts made after the unbundled update relative to the bundled update.

Finally, we examine the determinants and consequences of downplaying or emphasizing the guidance update relative to the first forecast. We view changes in headline presence, movements of the guidance section earlier or later in the press release, and changes in the number of guidance words as the elements that contribute to changes in emphasis. We find that firms are less likely to downplay the guidance update in the press release when the revision is good news, when the firm has a high media presence, and when there is a high volume of insider trades around the announcement. In contrast, we find that firms are more likely to emphasize the guidance update when the revision is good news and when the revision is large. We also document that managers are more likely to emphasize the guidance update when insider ownership and trades are high.

Turning to the consequences, we do not find significant evidence of increased or decreased reliance on the guidance update resulting from the firm's downplay or emphasis decision. This result is in contrast to prior work, which suggests emphasis matters (e.g., Bowen et al., 2005; Files et al., 2009). The absence of a differential reaction in our setting likely reflects the overall

importance of these material guidance updates, and that investors extract management guidance information from earnings announcement regardless of how it is emphasized.

We contribute to the literature by providing evidence that the incentives and disclosure outcomes related to earnings guidance are different when managers face an obligation to update than when they face no such obligation. Specifically, we document that the majority of firms deviate from their normal disclosure practices when faced with this obligation. Further, a substantial number of these firms choose unlikely disclosure alternatives under a normal guidance setting – withdrawing an initial forecast and unbundling a forecast update – and these choices have important implications for equity investors and financial analysts. As such, future research should consider treating management forecasts with an obligation to update as distinctly different observations than those without such an obligation.

We also contribute to the literature by providing some of the first archival evidence on the unique disclosure decision of pulling back or withdrawing previously disclosed financial guidance. Our results provide insights into the circumstances that lead managers to take this uncommon action and the market implications of this decision. Importantly, these withdrawal decisions are not reflected in the I/B/E/S guidance database. As such, future research should consider whether a management forecast has become stale or been withdrawn over the sample period.

Finally, our findings complement judgment and decision-making research that explores the implications of retractions and corrections of information in an experimental setting (e.g., Tan and Tan, 2008, 2009; Tan and Koonce, 2011). While these studies explore the psychological implications of correcting or retracting erroneous disclosures, we examine the implications of withdrawing and updating previously disclosed forecasts when facing an obligation to update. Additionally, our findings complement experimental research on transparency (e.g., Elliott et al.,

2010) and emphasis (e.g., Elliott, 2006) by documenting an important association between incentives created from an obligation to update and both the unbundling of guidance and the amount of emphasis placed on guidance.

The remainder of the paper proceeds as follows. Section 2 provides background information on management guidance and material deviations. Section 3 discusses our sample and provides descriptive evidence. Section 4 presents our predictions and analysis of the determinants and consequences of withdrawing annual guidance. Section 5 presents our predictions and analysis of the determinants and consequences of unbundling annual guidance updates. In Section 6, we examine the determinants and consequences of downplaying or emphasizing the guidance update. Finally, we conclude in Section 7.

2. Background on Management Guidance and Material Deviations

2.1 Management Guidance

Decades of accounting research has sought to understand when and why managers issue earnings forecasts and the implications these forecasts have for equity investors. This vast stream of research provides evidence on the voluntary disclosure behavior of managers, assuming managers are under no obligation to disclose internally developed earnings forecasts. This presumption is consistent with practitioners' interpretation of the rules and regulations. For example, Latham and Watkins note in a client update: "public companies are not required by stock exchange rules or the SEC's rules to provide investors with projections of future operating results." (Latham and Watkins, 2012). As such, management forecast research is guided by voluntary disclosure theory and the frictions under which full disclosure does not obtain (see Verrecchia, 2001; Lundholm and Van Winkle, 2006; and Beyer et al., 2010).

Empirically, management guidance has been shown to represent one of the key mechanisms by which managers "establish and alter market earnings expectations, preempt litigation concerns, and influence their reputation for transparent and accurate reporting" (Hirst et al., 2008). Further, research has documented that management guidance is influential, in that it affects stock prices (e.g., Pownall et al., 1993), analysts' forecasts (Baginski and Hassell, 1990), bid-ask spreads (Coller and Yohn, 1997), and cost of capital (Baginski and Rakow, 2012). Despite the breadth of this literature, there is little evidence on the extent to which these disclosure decisions and consequences extend to situations where managers face an obligation to update a previously disclosed earnings forecast.[2]

2.2 Material Deviations and the Obligation to Update

In this study, we view material deviations to be substantial changes in the expectation of the forthcoming annual earnings number. Managers could face material deviations from their initial forecast for a variety of reasons. First, the firm could have experienced an unexpected industry-wide business shock. Second, the firm could have experienced an unexpected firm-specific business shock. Third, the manager could have made a material error in the initial forecast. Regardless of the source, however, the manager now faces a situation where his or her initial forecast is no longer appropriate, and shareholders are relying on misleading information.

This material deviation significantly alters the "voluntary" nature of the management guidance for the next forecast. While most management guidance can and should be viewed as a voluntary disclosure, an *obligation* to disclose arises when managers face a material deviation from

[2] While there is little evidence on the extent to which an obligation to update changes the manner in which managers communicate their earnings guidance information, two prior studies have recognized that the obligation to update may incentivize manager behavior indirectly. First, Rogers and Van Buskirk (2009) suggest that firms may take action to avoid this obligation. Second, Tucker (2007) suggests that this obligation may make earnings warnings more likely.

a previously disclosed forecast. Rogers and Van Buskirk (2009) summarize this explicit legal obligation, or the duty to update prior disclosures as follows:

> While firms do not have an affirmative duty to disclose information on a continuous or real-time basis (Cox et al., 2001), they do have the duty to update any previously disclosed information that has become untrue or in doubt. The basis for this duty is that firms must speak completely when voluntary statements are made, and avoid speaking in half-truths. This creates a duty to update prior disclosures (as long as a disclosure is still relied upon in the market) because the statement is, in effect, an ongoing disclosure by the firm (Cox et al., 2001).

The obligation or duty to update originates in case law, however there are few instances where companies have actually been found liable for failing to update.[3] Despite the limited number of judgments against companies for failing to update, companies likely view the duty to update as an obligation for multiple reasons. First, legal practitioners consistently advise firms to update previously disclosed guidance when facing material deviations, despite uncertainty in the case law surrounding the duty to update.[4] For example, Morrison and Foerster advises companies to "update or confirm prior earnings guidance where new events or information render prior earnings guidance misleading or inaccurate in order to avoid potential liability under the antifraud provisions or maintain investor relations by alerting the market of the change." (Morrison and

[3] Many of the courts recognize the duty to update in principle, however they have been hesitant to find companies liable for failure to correct or update (Mendelsohn and Brush, 2015). For example, the 3rd Circuit noted that the duty to update "concerns statements that, although reasonable at the time made, become misleading when viewed in the context of subsequent events" (*Burlington Coat Factory Sec. Litig.*, 114 F.3d 1410, 1431). Further the 2nd and 10th Circuits have noted the proposition that a "definitive positive projection" later creating a misimpression, might give rise to a duty to disclose (*Grossman v. Novell*, 120 F.3d 1112, 1125 citing *Time Warner Sec. Litig.*, 9 F.3d 259, 267).

[4] Legal scholars describe the duty to update as "one of the more controversial and uncertain areas of the federal securities laws." (Bochner and Bukhari, 2001). As such, while the duty to update is an important component to the obligation, it can be challenging for managers to determine when they actually have an explicit obligation to update a previously disclosed forecast.

Foerster, 2015). Similarly, Latham and Watkins note that "some courts have suggested that a duty to update may apply if events transpire that cause a company's prior disclosure to become materially inaccurate" and recommend issuing a "clarifying, correcting, or updating statement" in these circumstances (Latham and Watkins, 2012).

Second, investors continue to bring claims (and the SEC can initiate investigations) based on the duty to update (Mendelsohn and Brush, 2015). Even if the company may ultimately prevail on the merits, lawsuits and investigations often lead to negative press reports and can be a distraction from core businesses (Mendelsohn and Brush, 2015). As such, managers likely continue to view the duty to update as an obligation to avoid lawsuits and investigations.

Finally, anecdotal evidence suggests that companies respond to material deviations as if they have an obligation to update. Specifically, the National Investors Relations Institute conducted a survey in 2014 on corporate guidance practices and reported that 94% of the surveyed companies stated that they currently update their financial earnings guidance in the event of both positive and negative material changes (NIRI 2014). This is consistent with our sample evidence, in that 97% of firms facing a material deviation update their guidance.[5] Collectively, these factors suggest that managers face an obligation to update previously disclosed earnings guidance when faced with a material deviation. In this study, we examine the extent to which managers' communication of annual earnings guidance differs when faced with this obligation, what factors determine these changes, and what implications these decisions have for equity investors.

[5] See Table 2, Panel A for details. Specifically, of the 2,152 material deviation firms with 8-K guidance, 2,098 (97%) provide communication to update their guidance. In untabulated analyses, we also document that the proportion of material deviation firms that update their guidance is significantly greater than the proportion of non-material deviation firms that update their guidance (Chi.Sq.=265.02, p-value < 0.01).

3. Sample Selection and Descriptive Evidence on Guidance Update Decisions

3.1 Sample Selection

Table 1 presents the details of our sample selection. We use I/B/E/S guidance to identify firm-years from 2006 to 2015 in which managers issue annual EPS forecasts (11,820 observations). We then make the following restrictions: exclude observations where the horizon of the first forecast is significantly different than one year (2,798 observations); exclude observations without sufficient data for control variables (1,574 observations); exclude observations with small stock prices (217 observations); and exclude observations where management and analysts appear to be on a different EPS basis (105 observations). This results in a sample of 7,126 firm years with annual EPS guidance subject to our sample restrictions.

The focus of our study necessitates a proxy for material deviations. We follow Kasznik and Lev (1995) and use one percent of stock price as our materiality threshold. Specifically, we calculate the ex post forecast error of the first forecast, relative to actual EPS, and scale it by the stock price preceding the first forecast. Through this process, we identify 2,468 firm years (or 35% of the firm years with annual guidance) in which managers face a material deviation and an obligation to update. Figure 1 summarizes the total number of firms facing a material deviation and the total number of firms providing annual EPS forecasts by year.

We then impose two additional requirements to facilitate the examination of our research question. First, to hold the dissemination procedure for guidance information relatively constant, we restrict our sample to firms that file management guidance information with the SEC in an 8-K (identified using a Python script).[6] This approach also allows us to capture the initial press release

[6] To identify these firms, we examine the set of 8-Ks filed within two days of the first annual EPS forecast in I/B/E/S. We then use a Python script to verify that guidance language occurs within 10 words of an earnings metric and within

date. We identify an 8-K associated with the first forecast for all but 316 (13%) of our material deviation observations, resulting in 2,152 firm-years. We review a random sample of the 316 and find that the majority of these observations are disclosing the forecast in an earnings call. Second, we require each observation to have an identifiable date for the material guidance update (in order to perform our market tests) and an associated 8-K (in order to assess changes in guidance communication from the first forecast). This final step, described in detail below, excludes 197 observations, yielding a final sample of 1,955 firm years.

A logical starting point to identify the guidance update announcement is the I/B/E/S guidance database. Because of the coverage issues for guidance databases documented in Chuk et al. (2013), however, we first examine a random sample of 50 observations to compare the content of 8-K filings with guidance language to the activity recorded in the I/B/E/S database. Specifically, we read all of the 8-Ks for the random sample firm-years and compare our manually identified major revision with the largest revision in I/B/E/S. For the vast majority of the observations, the revision identified by reading 8-Ks is consistent with the largest I/B/E/S revision with one notable exception. In our manual review process, we identify instances in which the firm elects to withdraw their previously disclosed forecast. This event is not reflected in the I/B/E/S guidance database in any fashion. As such, we begin our process of identifying the guidance update announcements by searching for firm-years in which the manager withdrew the initial forecast.

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10 words of a number. Our guidance word search string includes (guidance, expectation, forecast, outlook, estimate, anticipate, target), while our earnings metric search string includes (earnings, profit, loss, income, EBITDA, EPS and DEPS). We include plurals and verb forms of all words (where appropriate) and exclude boiler-plate forward-looking statements from our search. We established the word lists and procedures above by iteratively running a more comprehensive list of guidance words, reading a random sample of 50 8-Ks and adjusting the list for improvement. Our current procedure achieved greater than 98% accuracy.

To identify withdrawals, we download all of the 8-Ks between the first forecast and fiscal year end for each of the 2,152 firm-years in our material deviation sample.[7] We then use a Python script to identify all instances of guidance withdrawals within our sample (see Section 3.2 below for specifics). We retain the announcement date from the 8-K associated with forecast withdrawals as the forecast update announcement date for these firms.

For the remaining non-withdrawal observations, we use I/B/E/S guidance to identify the largest revision point. Specifically, we calculate the forecast news for each forecast revision in I/B/E/S by comparing its EPS value to the EPS value of the preceding forecast in calendar time. We preliminarily identify the revision date with the largest forecast news as the forecast update announcement date. We then procced to identify the 8-K associated with the major revision identified in I/B/E/S. To do so, we isolate all of the 8-Ks filed within two days of the forecast update announcement from I/B/E/S. Next, we run a Python script to identify the 8-K containing guidance language. This process results in 1,909 firm years (including the withdrawal observations) with material revisions where both the announcement date and 8-K are identifiable and the revision direction is consistent with that of the ex post forecast error.

For completeness, we download and read all of the 8-Ks (after the first forecast date and before fiscal year end) for the remaining 243 observations. Through this process, we are able to identify 46 material revisions that I/B/E/S did not identify.[8] We manually enter the data for these observations from the corresponding 8-K. This brings our total observations to 1,955. The

[7] We search up through the fiscal period end date so as to exclude any earnings warnings from our sample.
[8] This is consistent with the results in Chuk et al., 2013 suggesting incomplete coverage in the guidance databases.

remaining 197 observations represent the firm-years that we exclude due to missing announcement dates or identifiable 8-Ks.[9]

3.2 Descriptive Evidence on Material Deviations and Guidance Update Decisions

Having established a sample of firm-years in which the manager faces a material deviation, we now provide descriptive evidence on the extent to which the manager's communication of earnings guidance changes in the face of an obligation to update. Based on our manual review of 8-K filings (including the random samples mentioned above), we identify three primary guidance communication changes: (i) forecast withdrawals; (ii) changes in bundling strategy; and (iii) changes in the amount of emphasis placed on earnings guidance, relative to other news in the earnings announcement. We discuss our identification of each of these changes (and associated variable definitions) in turn below.

We first identify firms that withdraw outstanding forecasts by searching all of the material deviation observation 8-Ks (between first forecast and fiscal year end) for withdrawal language. Specifically, we run two separate Python scripts to identify both explicit and implicit withdrawals. Explicit withdrawals contain word variations of withdrawal, such as "withdraw" and "rescind."[10] We also recognize, however, that managers can also withdraw outstanding guidance by noting that

[9] We identify a number of interesting disclosure choices. First, we find 33 firms that issued qualitative earnings warnings using vague language, making it difficult to assign a material revision date and/or distinguish between withdrawal and update. Second, we identified 38 observations where the firm appears to have a no-update policy for annual guidance (i.e., they limit updates to quarterly guidance). Third, we identify 37 observations where the firm stops guidance altogether. This is similar to the phenomenon documented in Chen et al., 2011, except for annual guidance. Fourth, we identify 35 observations with I/B/E/S guidance database errors (i.e., errors in the first forecast or actual EPS such that the firm did not actually face a material deviation). Finally, there are 54 observations where we are unable to identify any updating activity using the 8-K filings. We are unable to determine whether these firms did not update or whether they chose to update in a manner that is not captured by our research design. We provide further details on these 197 disclosures in Panel A of Table 2.

[10] The explicit withdrawal words we use in our text search (including various noun and verb tenses) are: withdraw, retract, rescind, revoke, and remove.

the original forecast is no longer accurate and not providing a corresponding forecast update. We view these as implicit withdrawals. To identify implicit withdrawals, we search the 8-Ks for a reference to the original forecast and a series of words suggesting that it is no longer accurate.[11] For both explicit and implicit withdrawals, we require the search strings to be within 10 words of guidance words (see Section 3.1). We then read each of the identified 8-Ks to confirm the presence of a withdrawal in the disclosure. We set the variable *Withdraw* equal to one for observations where we confirm the guidance retraction, zero otherwise. This procedure identifies 99 withdrawals (85 of which are explicit withdrawals).

Next, we identify the firms that change their bundling strategy. Following prior research, we define bundled forecasts as those falling within two days of an earnings announcement (Anilowski et al., 2007; Rogers and Van Buskirk, 2013). We create a dummy variable, *Unbundled*, for both the first forecast and the guidance update. This variable is set to one if the forecast is issued separately from an earnings announcement, zero otherwise. We calculate changes in bundling strategy as *Unbundled* at forecast update minus *Unbundled* at first forecast.

Finally, we consider material changes to the emphasis placed on the earnings guidance information, relative to other news in the bundled earnings announcement. Prior research measures emphasis in a variety of ways, such as headline presence (e.g., Bowen et al., 2005; Files et al., 2009), placement in the document (Bowen et al., 2005), and the amount of discussion (e.g., Kimbrough and Louis, 2011). We choose to aggregate these three disclosure attributes to capture changes in emphasis. Specifically, we measure each of these disclosure attributes at the first forecast and at the guidance update point. We then identify whether there are material increases (decreases) in emphasis across each of these attributes, and assign a score of one (negative one).

[11] Our search string includes: provided, previous, original, meet, reach, achieve, expect, make, miss, and prior.

Finally, we add the three scores together and code a variable of *Emphasize* (*Downplay*) equal to one if the aggregated score is positive (negative), zero otherwise.

We identify headline presence by extracting the headline portion of the press release from the 8-K filing and searching for the guidance words outlined in section 3.1. *GuidanceInHeadline* is set to one if there are guidance words in the title or sub-title, zero otherwise. Changes in headline presence are calculated by subtracting the *GuidanceInHeadline* dummy as of the first forecast from the dummy as of the update. We measure document placement (*GuidancePlacement-InAnnouncement*), or how early in the document the guidance section occurs, by averaging the sequential order of guidance words and scaling by total words.[12] We calculate material changes in placement as increases (decreases) by more than the sample standard deviation of the first forecasts and code the change as one (negative one). Finally, we measure the amount of guidance discussion (*GuidanceWordsInAnnouncement*) by counting the number of guidance words in the press release (using the same guidance words discussed in Section 3.1), and scaling that count by the total number of words in the press release. Similar to changes in placement, we consider increases (decreases) greater than the sample standard deviation of the first forecasts to be material and code them as one (negative one) accordingly.

We summarize the changes in earnings guidance communication for firms facing an obligation to update in Panel A of Table 2. We document that the majority of firms (57%) facing an obligation to update deviate from their guidance communication choices at the first forecast. Specifically, 9% of these changers withdraw their forecast, 36% of these changers change their bundling strategy, and 55% of these changers increase or decrease the amount of emphasis placed

[12] For example, if the document has 1,000 words and the three guidance words are the 20th, 25th and 30th words in the document, the value for *GuidancePlacementInAnnouncment* would be 0.025.

on earnings guidance in the press release. In Panel A, we also provide a reconciliation between the 1,955 observation final sample and the total number of firms facing material deviations. In Panel B of Table 2, we provide descriptive statistics of the earnings guidance communication for the final sample (n=1,955) for both the first forecast and for the guidance update.

To provide further detail around the changes in guidance communication when faced with an obligation to update, we also present three additional analyses and illustrations. First, in Figure 2, we graph the disclosure changes by year to illustrate time trends. Panel A presents forecast withdrawals and changes in the bundling strategy, whereas Panel B presents changes in emphasis and firms that do not change their communication. Second, in Figure 3, we present the communication changes split on the ex post direction of the material deviation. Finally, to provide anecdotal evidence on each of these communication change types, we present examples of withdrawals, unbundled guidance updates, and changes in guidance emphasis in Appendix A. Collectively, this evidence documents important changes in the manner in which managers communicate earnings guidance when facing an obligation to update. In the remainder of the paper, we investigate why managers make these communication changes and the implications these changes have for equity investors and financial analysts.

4. Determinants and Consequences of Withdrawing Annual Guidance

4.1 Determinants of Withdrawing Annual Guidance

Because prior literature documents significant benefits to management guidance, such as reduced information asymmetry (Coller and Yohn, 1997), reduced volatility (Billings et al., 2015), and reduced cost of capital (Baginski and Rakow, 2012), we find the decision to withdraw to be particularly surprising and potentially unique to a setting in which managers have an obligation to

update.[13] As such, we begin our analysis by investigating the determinants of the decision to withdraw the initial forecast.

4.1.1 Theory and Empirical Predictions

While prior disclosure research provides theory and empirical evidence on the practice of discontinuing guidance, withholding information, and redacting information, there is limited guidance on what might motivate a manager to pull back or withdraw outstanding information.[14] We predict that the obligation to update creates a dilemma for managers when they face increased uncertainty and legal concerns. That is, while managers face an obligation to update they may also face circumstances where they "know something with such great uncertainty that legal worries" would normally prevent them from disclosing (Lundholm and Van Winkle, 2006). Verrecchia (1990) also shows that managers will disclose more as the quality of managers' private information increases, suggesting that a manager's preference for non-disclosure increases as the manager becomes less certain about future earnings. Further, uncertainty surrounding future earnings imposes potential costs on forecasting managers, such as loss of reputation, stock price declines, and shareholder lawsuits (Kim et al., 2015). Therefore, we predict that managers are more likely to withdraw previously disclosed annual earnings guidance in the presence of an obligation to update as the manager becomes less certain about future earnings, and litigation risk increases. This disclosure choice allows the manager to satisfy both the obligation to update and their preference for non-disclosure.

[13] The decision to withdraw a previously disclosed forecast is also surprising and unique because it represents a short-term deviation from a prior commitment to disclose. This suggests that the cost-benefit tradeoff facing managers is also distinctly different from one where managers decide to stop providing guidance entirely (e.g., Chen et al., 2011).
[14] For examples of research examining discontinuing guidance see Chen et al., 2011 and Houston et al., 2010; for the withholding of information see Hollander et al., 2009 and Kothari et al., 2009; and for redacting information see Verrecchia and Weber, 2006 and Boone et al., 2016.

We proxy for litigation risk in two ways. First, consistent with Skinner (1994), we include variables to capture the direction of the news (based on stock returns and analyst revisions). We expect withdrawals to be more likely for bad news than for good news. Second, we include an indicator variable to capture the presence of a prior lawsuit (within the prior 12 months), as perceived litigation risk is likely higher for these firms (Chen et al., 2011) and their preference for non-disclosure may also be higher (Rogers and Van Buskirk, 2009).

We also include three proxies to capture changes in manager uncertainty from the first forecast. Specifically, we include the change in the standard deviation of daily raw returns, the change in analyst dispersion, and the stock return synchronicity with industry and macroeconomic portfolios. The first two measures are commonly used measures of uncertainty in the disclosure literature (e.g., Chen et al., 2011; Houston et al., 2010; Ramnath et al., 2008). We also include a measure of stock return synchronicity (e.g., Piotroski and Roulstone, 2004), or the extent to which a firm's stock returns are explained by the market and industry returns, as a proxy for the source of the news. We expect managers' uncertainty to be increasing in synchronicity, as the source of the potential shock is more likely to be outside the firm's control when synchronicity is higher.

4.1.2 Empirical Design and Results

We use univariate and multivariate tests to compare the withdrawal and update samples on our predictions. Additionally, we include four control variables in our analysis: firm size, the market-to-book ratio, the market beta, and analyst following. We present the univariate comparisons in Panel A of Table 3. Consistent with our expectations, we document a significantly lower percentage of good news (*GoodNews_Returns*, *GoodNews_Forecasts)* and larger increases in uncertainty (*ΔStdRevReturns* and *ΔAnalystDispersion*) for withdrawal firms than for non-withdrawal firms. We also find that withdrawal firms are significantly smaller.

We formally test our predictions by estimating the following logistic regression:

$$Withdraw = \alpha + \beta_1 \Delta StdDevReturns + \beta_2 \Delta AnalystDispersion + \beta_3 Synchronicity + \beta_4 GoodNews\_Returns + \beta_5 GoodNews\_Forecasts + \beta_6 PriorLawsuit + \beta_7 AbsStockReturn + \beta_8 Abs(\Delta AnalystForecast) + Control\ Variables + \varepsilon, \quad (1)$$

where *Withdraw* is an indicator variable set to one for firms that withdraw their previously released annual earnings forecasts, zero otherwise. We define all of the variables in Appendix B. As discussed above, the first three variables (β_1- β_3) proxy for increases in manager uncertainty and the next three (β_4- β_6) proxy for litigation risk. While we believe that all of our sample firms are under an obligation to update, managers facing larger revisions may find that the incentives arising from the obligation to be even stronger. We include the absolute stock return (β_7) and absolute change in analyst forecasts (β_8) as measures of the magnitude of the revision. We expect withdrawals to be more likely as these measures increase.

We present the results of equation (1) in Panel B of Table 3. Consistent with our prediction, increases in uncertainty appear to be important drivers in the decision to withdraw. Firms that withdraw have significantly larger increases in the standard deviation of returns and significantly greater synchronicity. If Δ*StdDevReturns* increases from -0.004 to 0.007 (the interquartile range of our sample), the probability of a withdrawal increases from 2.2% to 2.9%, which is economically large as it represents 12% of the base rate of withdrawals. Also consistent with our expectations, we document that withdrawals are more likely for bad news and in the presence of prior lawsuits. In fact, moving from good news to bad news (*GoodNews_Forecasts*) increases the probability of withdrawal from 1.4% to 4.1%, or an increase equivalent to 53% of the base rate. Finally, we also document that the likelihood of a withdrawal is positively associated with the magnitude of the revision (*Abs(ΔAnalystForecast)*), consistent with these managers feeling stronger incentives under the obligation to update.

4.2 Market Consequences of Withdrawing Annual Guidance

We then examine the market consequences of withdrawing annual earnings guidance. We have several expectations, after controlling for the decision to withdraw. We predict that a guidance withdrawal serves as a temporary disruption to a firm's commitment to disclosure. As such, we expect this announcement to reverse (at least temporarily) some of the benefits traditionally associated with providing guidance. Specifically, we expect an increase in cost of capital, as realized in stock returns (Baginski and Rakow, 2012), an increase in stock return volatility (Billings et al., 2015), and an increase in bid-ask spreads (Coller and Yohn, 1997). Despite these predictions, it is possible that the market does not react differentially to withdrawal announcements as they are inherently temporary (i.e., 95% of our withdrawal firms continue guiding in the future).

We examine these market consequences in Table 4 for both the full sample (Panels A-B) and a subset of observations that were not bundled with earnings announcements (Panels C-D).[15] Panels A and C present univariate comparisons, while Panels B and C present multivariate analyses after controlling for the choice to withdraw. We control for the decision to withdraw by entropy balancing our control observations according to the determinants in equation (1). We entropy balance up to the highest moment of convergence. In Panel B we are able to entropy balance up to the third moment (i.e., mean, variance, and skewness of all determinants), while in Panel D we entropy balance to the first moment.

On a univariate basis, prior to controlling for the choice to withdraw, we document that the withdrawal announcement is associated with significantly lower returns and a significantly greater

[15] While our primary analysis uses the full sample, controlling for any bundled earnings information, we also examine the unbundled sample to ensure that our inferences are not driven by differences in bundled information. These two approaches trade off power (sample size) for identification (by ruling out bundled information).

increase in bid-ask spreads than an update announcement. Further, we document results consistent with our expectations, even after controlling for the decision to withdraw. That is, we provide evidence that the withdrawal announcement is associated with significantly lower returns, a significantly greater increase in stock return volatility, and a significantly greater increase in bid-ask spreads than an update announcement, after entropy balancing and controlling for the bundled earnings information. In fact, the three-day returns are 4 percent lower for withdrawing firms than for updating firms. Further, bid-ask spreads (stock return volatility) increase by 3.5 (1.3) times the mean increase for update announcements. Additionally, we show that the results generally hold for a sample of unbundled observations, despite a significant reduction in sample size.

We also explore the responses of financial analysts to withdrawals relative to guidance updates. Prior research suggests that analysts rely on management-provided information to generate higher quality earnings forecasts (Chen and Matsumoto, 2006; Ke and Yu, 2006; Chen et al., 2011). Therefore, we predict that the dispersion of analyst forecasts will increase immediately following the forecast withdrawal, relative to other update announcements, and that the forecast errors of the revised analyst forecasts will be larger for withdrawals than for updates. We also predict that analysts will view the withdrawal decision as a negative signal and revise their estimates downward more for withdrawals than for updates.

We present the analysis of analyst responses to guidance withdrawals in Table 5. Similar to our market consequence analyses in Table 4, we entropy balance to the highest possible moment on the determinants in equation (1) and control for bundled earnings information. Again, Panels A-B examine the full sample, whereas Panels C-D examine a sub-sample of unbundled observations. For our forecast error results, we do not control for bundled EA information because

we are examining the accuracy of the revised analyst forecasts, however we do control for any differences in horizon.

Our univariate results on analyst responses are consistent with our expectations. Specifically, we document that analysts respond more negatively (on average), dispersion increases significantly more following withdrawals than for updates, and absolute forecast errors are significantly greater for revisions following withdrawals than for those following updates. After controlling for the decision to withdraw, however, we document slightly different results. In particular, we no longer document a significant difference in the consensus response (*ΔAnalystForecast*). We continue to find a significantly greater increase in analyst dispersion, a significantly more negative forecast error, and a significantly greater absolute forecast error. Collectively, it appears that analysts do not fully impound the negative implications associated with a withdrawal announcement, leading to increased forecast errors. Additionally, withdrawals appear to increase the amount of disagreement or uncertainty among analysts following the firm. Our results are consistent in the full sample and in the unbundled sub-sample.

5. Determinants and Consequences of Unbundling Annual Guidance Revision

5.1 Determinants of Unbundling Annual Guidance Revision

Having explored the determinants and consequences of withdrawals, we transition to another relatively uncommon communication choice by firms facing an obligation to update – the "unbundling" of the guidance update from an earnings announcement. Prior research documents that the overwhelming majority of guidance now comes bundled with an earnings announcement (e.g., Anilowski et al., 2007; Rogers and Van Buskirk, 2013). In fact, Billings et al. (2015) documents that upwards of 90% now comes bundled with an earnings announcement. As it is a

relatively rare occurrence for firms to issue an unbundled forecast, we investigate the unbundling decision in this section.

5.1.1 Theory and Empirical Predictions

Recent research has explored the decision to bundle earnings guidance with an earnings announcement (e.g., Rogers and Van Buskirk, 2013; Billings and Cedergren, 2015; Billings et al., 2015), however these studies largely examine the decision to issue guidance in an earnings announcement versus not issuing guidance at all. We argue that the decision to "unbundle" is a fundamentally different decision, particularly in the face of an obligation to update, as the obligation to update likely presents a different cost-benefit tradeoff for managers. Thus, while these prior studies provide some guidance into the determinants of the decision to bundle earnings news with a forecast, it is largely unclear the extent to which similar factors play a role in the decision to unbundle.

We predict that the increased litigation concerns associated with the obligation to update (e.g., Rogers and Van Buskirk, 2009) create an incentive for managers to clearly, and saliently, disclose to the market that they are satisfying this obligation. That is, we expect the obligation to update to increase the informational motives of managers (i.e., managers use disclosure decisions to better inform investors).[16] This leads to three predictions. First, we expect that managers are more likely to unbundle their guidance update when the information is easier to process in isolation as opposed to bundled with earnings. Second, we expect that managers are more likely to unbundle their earnings guidance when the update has a greater opportunity to reach investors and align their

[16] See the following studies for commentary on informational motives: Healy and Palepu (2001); Riedl and Srinivasan (2010); Libby and Emett (2014).

expectations. Finally, we expect that managers are more likely to unbundle when faced with higher legal concerns and/or when the incentives from the obligation to update are strongest.

We proxy for the ease of processing in isolation versus bundled with the properties of unexpected earnings (i.e., if the unexpected earnings are complementary, we expect managers to be less likely to unbundle). Specifically, we include an indicator variable for the direction of earnings surprise, a measure of the absolute earnings surprise, and an indicator variable to capture whether the guidance update and unexpected earnings are the same sign.[17] We expect that managers are more likely to unbundle when unexpected earnings are negative, as bad news often requires more commentary that would likely distract investors from the guidance update (Bloomfield, 2008). For a similar reason, we expect that managers are more likely to unbundle when unexpected earnings are larger. Finally, we expect that managers are more likely to unbundle when the earnings surprise and revision surprise are of opposite signs. Same sign surprises are likely complementary and could better inform investors when discussed together, whereas opposite signed surprises likely make for more difficult processing (increasing the informational incentive to unbundle). Despite this prediction, some anecdotal evidence suggests that managers may be *less* likely to unbundle when the surprises are of opposite signs for opportunistic reasons, i.e., packaging or offsetting bad news with good (Graham et al., 2005).

We proxy for the opportunity to reach investors with an indicator variable set to one for high media coverage, as prior research suggests that media coverage provides broader dissemination of earnings information (Bushee et al., 2010). We expect a positive association between media coverage and the likelihood of unbundling. We proxy for the opportunity to align

[17] We measure our expectation variables (and other determinants) for this section as of 10 days after the preceding earnings announcement in order to hold timing constant between the bundled and unbundled forecasts. In other words, we use this date as a proxy for when managers decide whether to unbundle or bundle the forecast.

investor expectations with measures that capture the recent change in uncertainty. As uncertainty and volatility increase, managers are more likely to provide guidance (e.g., Billings et al., 2015) in the event they are not facing the same uncertainty themselves. We expect that managers may also be more likely to unbundle in these circumstances to better align investor expectations.[18] We expect a positive association between our measures of uncertainty increases and the unbundling decision.[19]

Finally, we proxy for litigation risk with an indicator variable to capture the direction of the revision (consistent with Skinner, 1994) and an indicator variable to capture the presence of a prior lawsuit. We expect litigation concerns to be particularly important, as the decision to unbundle also allows managers to potentially shorten the class action lawsuit damage period that they may be subject to (Skinner, 1994). While we believe that all of our sample firms face the obligation to update, the incentives from this obligation are strongest for those firms where the first forecast is most inappropriate or inaccurate. We proxy for the strength of this incentive with a series of variables to capture the magnitude of the revision and expect a positive association between these variables and the decision to unbundle.

5.1.2 Empirical Design and Results

For these analyses, we use firm-years where a guidance update is provided (i.e., we exclude withdrawal observations). We also exclude firm-years where the first forecast was issued outside of an earnings announcement and control for previous unbundling behavior in the same quarter,

[18] Because prior work shows that financial analysts and outside investors often have a better read than managers on industry and macroeconomic information (e.g., Piotroski and Roulstone, 2004; Crawford et al., 2012; Hutton et al., 2012), higher levels of synchronicity are likely indicative of situations where manages are less able to inform or align investor expectations, and thus less likely to unbundle.

[19] There is also evidence that insider trading affects how forthcoming managers are with their disclosure (Billings and Cedergren, 2015). As such, we also examine whether insider trading activity is associated with the unbundle decision. We do not find any evidence of such a relation when managers face an obligation to update. Additionally, the inclusion of insider trading variables does not alter any of our reported results.

as we are particularly interested in the decision to switch from a normal practice of bundling to providing an unbundled guidance update. We use univariate and multivariate tests to compare the firms that unbundle their guidance update to those that bundle their guidance update on our predictions. We include similar control variables to our withdrawal analyses. We present the univariate comparisons in Panel A of Table 6. Consistent with our expectations, we document significantly different unexpected earnings properties for unbundled versus bundled firms. Unbundled firms have a significantly smaller proportion of good unexpected earnings news, significantly larger absolute earnings surprises, and significantly smaller proportion of observations where earnings and revision surprises are the same sign. We also document significantly larger changes in analyst dispersion and marginally higher media coverage for firms choosing to unbundle. Finally, we document that unbundled firms have a significantly lower proportion of good news revisions and that the absolute magnitude of the revision is significantly greater for these firms than for firms electing to remain bundled.

We formally test our predictions by estimating the following logistic regression:

$$\begin{aligned} Unbundle = {} & \alpha + \beta_1 GoodNews\_EarnSurp + \beta_2 AbsEarnSurp + \\ & \beta_3 SurprisesSameSign + \beta_4 HiMedia + \beta_5 \Delta StdDevReturns + \\ & \beta_6 \Delta AnalystDispersion + \beta_7 Synchronicity + \beta_8 GoodNews\_RevSurp + \\ & \beta_9 PriorLawsuit + \beta_{10} AbsRevisionSurprise + \\ & \beta_{11} AbsMgmtRevision + \beta_{12} Abs(\Delta AnalystForecast) + \\ & \beta_{13} AbsStockReturn + Control\ Variables + \varepsilon, \end{aligned} \quad (2)$$

where *Unbundle* is an indicator variable set to one for firms that unbundle their guidance update, zero for firms that continue to issue their guidance update in an earnings announcement. We define all of the variables in Appendix B. As discussed above, the first three variables (β_1- β_3) proxy for the ease of processing in isolation versus bundled with the properties of unexpected earnings, the next four (β_4- β_7) proxy for the opportunity to reach investors and align their expectations, and the final six of interest (β_8- β_{13}) proxy for the extent of legal concerns and the obligation to update.

We present the results of equation (2) in Panel B of Table 6. Consistent with our prediction and results from prior literature (Rogers and Van Buskirk, 2013), the properties of unexpected earnings are important drivers of the decision to unbundle. Specifically, managers are less likely to unbundle if they report positive earnings news, more likely to unbundle as the earnings news increases, and less likely to unbundle when the direction of the earnings surprise is the same sign as the revision surprise. These results are consistent with the obligation to update increasing the informational motives and driving at least a portion of the unbundling decision. Next, we also find positive associations between both high levels of media coverage and large increases in analyst dispersion with the decision to unbundle. These associations support our premise that managers are more likely to unbundle when the opportunity to reach and align investor expectations is higher. Finally, we document that unbundling is more likely when legal concerns are high (e.g., bad news update) and when the incentives from obligation to update are strongest (large revision based on the change in analyst forecasts).

5.2 Market Consequences of Withdrawing Annual Guidance

We now transition to the market consequences of unbundling the guidance update. We predict that investors and financial analysts will be more attentive to and face lower processing costs when responding to unbundled guidance updates and, therefore, rely more heavily on their information (Bloomfield, 2002; Hirschleifer and Teoh, 2003).

We examine these market consequences both in terms of three-day stock returns and in terms of analyst responses. We provide univariate comparisons between those that unbundle and those that do not in Panel A of Table 7 and we present multivariate analyses of stock return responses (analyst responses) in Panel B (Panel C). In our multivariate analyses, we control for the decision to unbundle by entropy balancing our control observations according to the

determinants in equation (2). We entropy balance up to the highest moment of convergence, which in this instance is the second moment (i.e., mean and variance). We also control for the unexpected earnings news at the time of the announcement for bundled forecasts.

We calculate our measure of unexpected revision in two ways. First, we calculate the traditional measure, as the difference between the manager update and the prevailing consensus analyst forecast before the announcement. Second, we calculate a Rogers and Van Buskirk (2013) adjusted measure for bundled forecasts (hereafter RV measure), which accounts for the analyst revision that would have occurred as a result of the contemporaneous earnings news, even in absence of a manager forecast. We define these variables in Appendix B.

On a univariate basis, prior to controlling for the choice to unbundle, we document that unbundled observations have significantly lower 3-day returns, significantly lower unexpected revisions, and significantly more negative analyst revisions. We are interested, however, in the investor and analyst response per unit of revision surprise, after controlling for the decision to unbundle. We evaluate the market response in Panel B and the analyst response in Panel C. While we find no evidence of a stronger market response per revision dollar for unbundled updates, relative to the bundled updates, we document strong evidence of differential reliance by financial analysts. Whereas analysts only impound 86% (62%) of the unexpected revision, when using the traditional (RV) measure, following a bundled update, analysts impound 102% (105%) of the unexpected revision following an unbundled update. Further, we also provide evidence that analyst revisions after unbundled forecast updates are more accurate, as the absolute forecast errors are lower for the analyst forecasts made after the unbundled update relative to the bundled update.

6. Determinants and Consequences of Downplaying or Emphasizing a Guidance Revision

6.1 Determinants of "Downplaying" versus "Emphasizing" Guidance Revisions

In our final set of analyses, we examine the determinants and consequences of managers downplaying or emphasizing the guidance update more or less than they did in the first forecast.[20] Managers may view emphasis as a way to more strongly indicate that they have satisfied their obligation to update (through greater salience). In contrast to unbundling, however, changes in emphasis do not alter the associated litigation risk in any fashion. To investigate these conflicting predictions, we begin with a similar model to that in equation (2), except we replace the dependent variable with one that takes the value of "downplay," "no change," or "emphasize." We then estimate a multinomial logistic regression with "no change" in emphasis as the base group.

We present univariate comparisons of downplay (emphasize) to no change in Panel A (Panel B) of Table 8. We present the results of the multinomial logistic regression in Panel C of Table 8. We find that firms are less likely to downplay the guidance update in the press release when the revision is good news and when the firm has a high media presence. In contrast, we find that firms are more likely to emphasize the guidance update when the revision is good news and when the revision is large. This provides some evidence that managers may use emphasis for opportunistic reasons within bundled earnings announcements.

Prior research also suggests that emphasis decisions may depend on the value-relevance of the information (Bowen et al., 2005), the historical volatility of the information (Tucker, 2007), and insider activity (Billings and Cedergren, 2015). As such, we separately re-estimate our model (due to data restrictions) with proxies of these factors also included. We find that downplay and

[20] We view changes in headline presence, movement of the guidance section earlier or later in the press release, and changes in the number of guidance words as the elements that contribute to changes in emphasis (see Section 3.2).

emphasis are both negatively associated with proxies for insider trades or insider ownership. We also find that emphasis is negatively associated with the volatility of earnings.

6.2 Market Consequences of "Downplaying" versus "Emphasizing Guidance Revisions

Prior research suggests that market participants respond more strongly to metrics that receive more prominence than those that receive less (e.g., Bowen et al., 2005; Files et al., 2009; Huang et al., 2017). These results are often explained by the limited attention theory (Hirschleifer and Teoh, 2003), suggesting investors may overlook information disclosed in a less noticeable format, and the incomplete revelation hypothesis (Bloomfield, 2002), suggesting that information which is more difficult to extract is less fully revealed into prices.

Based on the empirical evidence and theoretical predictions from prior literature, we explore whether there is a differential market response to the unexpected revision for announcements that decreased (downplayed) or increased the amount of emphasis.[21] We present the results in Table 9. In contrast to prior work, we do not find any evidence of a differential market response for firms that change their emphasis on the guidance update. This could reflect the fact that all of our guidance updates are material and that investors automatically look for changes in forecasts within earnings announcements.

7. Conclusion

While prior research generally views management guidance as a form of voluntary disclosure, managers face an obligation to update previously provided forecasts that are no longer accurate or appropriate. In this study, we examine the extent to which managers' communication

[21] We also examine the market consequences in terms of analyst responses. We choose to present only the stock return results for brevity, as the analyst results are quantitatively similar (i.e., we do not find any evidence of differential analyst response for changes in emphasis).

decisions regarding annual earnings guidance differ when faced with this obligation, what factors determine these changes, and what implications these changes have for equity investors.

We first provide descriptive evidence that the majority of firms (57%) change the manner in which they communicate earnings guidance when faced with an obligation to update. Importantly, a substantial number of these firms choose disclosure alternatives that are unlikely to be chosen under a normal guidance setting, such as withdrawing the initial forecast, unbundling a forecast update, and changing the emphasis of the guidance section of the earnings announcement.

We predict that the obligation to update creates a unique set of incentives for managers, contributing to these disclosure outcomes. First, we predict and find that managers are more likely to withdraw an initial forecast when they face an obligation to update and have a preference for non-disclosure (because they know something with such great uncertainty that legal concerns normally would prevent disclosure). Second, we predict and find that the increased litigation concerns associated with the obligation to update create an incentive for managers to clearly, and saliently, inform the market that they are satisfying the obligation. That is, managers are more likely to unbundle their guidance when the information is easier to process in isolation as opposed to bundled with earnings, when the update has a greater opportunity to reach investors and align their investor expectations, and when faced with higher legal concerns. Third, we provide insights into the determinants of changing the emphasis on guidance communication, including that managers are more likely to emphasize good news and downplay bad news.

Finally, we document that these unique disclosure decisions have important implications for equity investors and financial analysts. In particular, withdrawing an initial forecast is associated with significantly lower returns, a greater increase in stock return volatility, and a greater increase in bid-ask spreads, even after controlling for the decision to withdraw. This is

quite interesting, as it suggests that withdrawals immediately counteract at least a portion of the benefits normally associated with providing guidance. Further, we find that analysts place greater reliance on forecast revisions when managers unbundle, leading to more accurate forecasts.

Collectively, our research demonstrates that the incentives and disclosure outcomes for earnings guidance when managers face an obligation to update are significantly different from those absent such an obligation, and this difference in incentives should be considered by researchers studying managers making disclosure decisions under these constraints. We also contribute to the literature by providing some of the first archival evidence on the unique disclosure decision of pulling back or withdrawing previously disclosed financial guidance. Finally, our research complements prior judgment and decision-making studies on disclosure behavior by documenting an important association between incentives created from an obligation to update and disclosure decisions such as withdrawing previously disclosed information, unbundling guidance, and changing the amount of emphasis placed on guidance information.

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Appendix A
Examples of Forecast Withdrawals, Unbundling, and Change in Emphasis

Example A: 3D Systems (Withdrawal)

First Forecast:

3D Systems Reports Record Revenue for Fourth Quarter and Full Year 2014

- **Revenue of $187.4 million for Q4; $653.7 million for the full year**
- **Non-GAAP EPS of $0.21 for Q4 and non-GAAP EPS of $0.70 for full year**
- **Operating cash of $23.2 million in Q4; $51.1 million for the full year**

ROCK HILL, S.C., Feb. 26, 2015 (GLOBE NEWSWIRE) -- 3D Systems...

2015 Guidance
Management expects 2015 revenue to be in the range of $850 million to $900 million, with a greater percentage of revenue generated during the second half, GAAP earnings per share in the range of $0.35 to $0.45 and non-GAAP earnings per share to be in the range of $0.90 to $1.10.

Forecast Update:

3D Systems Reports First Quarter 2015 Results

ROCK HILL, S.C., May 6, 2015 (GLOBE NEWSWIRE) -- 3D Systems Corporation (NYSE:DDD) announced…

2015 Guidance
Given marketplace uncertainties, management believes it is prudent at this time to withdraw the company's previously issued annual guidance for 2015. Management continues to rigorously assess the macroeconomic environment and customer demand and plans to provide an update regarding guidance when management has more clarity that sector conditions have stabilized.

Example B: Metlife (Withdrawal)

First Forecast:

METLIFE ANNOUNCES EXPECTED 2007 FINANCIAL RESULTS
Full Year 2007 Operating EPS Estimated to Grow 16% Over 2006
Business Overview and 2008 Goals Provided at Annual Investor Conference

NEW YORK, December 3, 2007 — MetLife, Inc. (NYSE: MET) today…

Full Year 2008 Goals
During 2008, MetLife expects to generate between $5.90 and $6.20 per share in operating earnings for the year, reflecting strong earnings growth from operations. MetLife also expects to achieve an operating return on equity of 13.0% to 13.6% and repurchase $2.2 billion in common stock in 2008. MetLife also announced today a goal of achieving an operating return on equity of 15% by year-end 2010.

Forecast Update:

METLIFE PREANNOUNCES EXPECTED THIRD QUARTER 2008 RESULTS

NEW YORK, October 7, 2008 — MetLife, Inc. (NYSE: MET) today…

2008 Guidance & Formal Third Quarter 2008 Earnings Announcement
Given the current volatility, the company is withdrawing its 2008 earnings guidance. MetLife will report its full third quarter results on Wednesday, October 29, 2008, after the market closes. The press release will also be available on the MetLife Investor Relations Web page at www.metlife.com. MetLife will hold its third quarter 2008 earnings conference call and audio Webcast on Thursday, October 30, 2008, from 8:00 to 9:00 a.m. (ET).

Appendix A (Continued)

Examples of Forecast Withdrawals, Unbundling, and Change in Emphasis

Example C: Best Buy (Unbundled)

First Forecast:

Best Buy's Fourth-Quarter Earnings Per Diluted Share Rise 10% to $1.71
Company Expects a Fiscal 2009 EPS of $3.25 to $3.40, an Increase of Approximately 7% Full Year 2008 Goals

MINNEAPOLIS, April 2, 2008 — Best Buy Co., Inc. (NYSE: BBY) today...

Establishes Annual EPS Outlook of $3.25 to $3.40 for Fiscal 2009
The company estimates annual earnings per diluted share of $3.25 to $3.40 for fiscal 2009, which ends on Feb. 28, 2009. In addition, the company provided its capital expenditures guidance for fiscal 2009 of approximately $1.1 billion, up from approximately $800 million in fiscal 2008. The company previously reported that it anticipates opening approximately 140 new stores globally during fiscal 2009.

Forecast Update:

Best Buy Sees Softer Consumer Spending,
Lowers Fiscal 2009 EPS Guidance
Best Buy's market share continues to increase

MINNEAPOLIS, Nov. 12, 2008 – Best Buy Co., Inc. (NYSE: BBY) reported today that falling consumer spending, driven by the recent turmoil in the financial markets and other macro economic factors, has resulted in lower-than-expected revenue for the consumer electronics retailer. The uncertainty regarding future consumer spending has limited the company's ability to project revenue for the critical holiday shopping season and the balance of the fiscal year. Given both the change in economic environment and the significance of the holiday shopping season to the company's annual earnings, Best Buy is lowering its guidance for the fiscal year.

Example C: FedEx (Unbundled)

First Forecast:

FedEx Corp. Reports Fourth Quarter and Full Year Earnings

MEMPHIS, Tenn., June 18, 2008 ... FedEx Corp. (NYSE: FDX) today…

Outlook
Earnings are difficult to predict in light of very volatile and high fuel prices and an uncertain economic outlook. FedEx projects earnings to be $0.80 to $1.00 per diluted share in the first quarter. This is in contrast to $1.58 per diluted share a year ago when crude oil averaged about $70 per barrel and the U.S. economy was stronger. The company is currently targeting fiscal 2009 earnings of $4.75 to $5.25 per diluted share.

Forecast Update:

FedEx Corp. Reports Expected Second Quarter Earnings
Full Year Earnings Outlook Reduced

MEMPHIS, Tenn., December 8, 2008 – FedEx Corporation (NYSE: FDX) today announced that it expects to report earnings of $1.58 per diluted share for the second quarter ended November 30. Previous earnings guidance for the quarter was $1.40 to $1.60 per diluted share. For fiscal 2009, the company has reduced its earnings guidance to $3.50 to $4.75 per diluted share from the previous guidance of $4.75 to $5.25, as significantly weaker macroeconomic conditions are expected to offset the benefits from lower fuel prices and the announced departure of DHL from the U.S. domestic package market. This outlook assumes stable fuel prices.

Appendix A (Continued)

Examples of Forecast Withdrawals, Unbundling, and Change in Emphasis

Example E: Polo Ralph Lauren (Emphasize)

First Forecast:

POLO RALPH LAUREN REPORTS THIRD QUARTER 2006 RESULTS
THIRD QUARTER REVENUES UP 10%
OPERATING INCOME INCREASED 24%

New York (February 7, 2006) - Polo Ralph Lauren Corporation (NYSE: RL)…

INITIAL FULL YEAR FISCAL 2007 OUTLOOK COMPARED TO FISCAL 2006 GAAP RESULTS
Earnings per share are expected to be in the range of $3.00 to $3.10. This earnings projection includes the effect of accounting for stock compensation expense of approximately $0.15 per share. Excluding stock compensation expense, earnings per share are expected to be in the range of $3.15 to $3.25.

Forecast Update:

POLO RALPH LAUREN REPORTS FIRST QTR FY2007 RESULTS
- **Operating Income Increased 66%**
- **Earnings per Share Increased 54%**
- **Company Raises Full Year Guidance to Range of $3.25 to $3.35**

New York (August 8, 2006) - Polo Ralph Lauren Corporation (NYSE: RL)…

FISCAL 2007 FULL YEAR OUTLOOK
Consolidated revenue growth is projected to be low to mid-teen percent. Operating margins are expected to increase slightly compared to Fiscal 2006. Fiscal 2007 forecasts include an incremental stock compensation expense of approximately $18 million to $25 million. Earnings per share are expected to be in the range of $3.25 to $3.35. This earnings projection includes an estimate of stock compensation dilution in the range of $0.10 to $0.15 per share.

Example F: Fluor Corporation (Downplay)

First Forecast:

FLUOR REPORTS THIRD QUARTER RESULTS
· Q3 EPS FROM CONTINUING OPERATIONS UP 10% TO $1.15
· Q3 NEW AWARDS OF $6.0B; BACKLOG RISES TO $42.3B
· 2015 EPS GUIDANCE ESTABLISHED AT $4.50 TO $5.00

IRVING, TEXAS — October 30, 2014 — Fluor Corporation (NYSE: FLR)…

Outlook
For 2015, the Company is establishing its initial EPS guidance at a range of $4.50 to $5.00 per diluted share, excluding any pension settlement-related charges which are not fully estimable at this time. EPS guidance for 2015 reflects a rising backlog and solid growth opportunities in Oil & Gas and stable to moderate improvement in the Company's other end markets.

Forecast Update:

FLUOR REPORTS SECOND QUARTER RESULTS

IRVING, TEXAS — July 30, 2015 — Fluor Corporation (NYSE: FLR) …

Outlook
The company continues to win and execute on numerous front-end engineering awards, particularly in oil and gas, and is encouraged by the positive comments from clients in regards to our strategy. However, relatively low new awards this year and delays in the full release of major projects due to the volatility mentioned above, are placing pressure on expected results for 2015. Taking into consideration these factors and their impact on all of our business segments, the company is reducing its 2015 guidance range to $4.05 to $4.35 per diluted share.

Appendix B
Variable Definitions

Variable	***Definition of Variable***
Guidance Communication and Disclosure Variables	
Withdraw	An indicator variable set to one if the firm withdraws its outstanding annual EPS forecast, zero otherwise. We identify firms that withdraw outstanding forecasts by searching all of the 8-Ks between the first forecast and fiscal year end for withdrawal language. We search for both explicit withdrawals, that contain word variations of "withdraw" within 10 words of guidance language, and implicit withdrawals, where managers note the original forecast is no longer appropriate but do not provide an update. Our search string for explicit withdrawals includes: withdraw, retract, rescind, revoke, and remove. Our implicit search string includes the following words within 10 words of guidance language: provided, previous, original, meet, reach, achieve, expect, make, miss, and prior. We read all matches to confirm true withdrawals.
Unbundled	An indicator variable set to one if earnings guidance is released in a stand-alone fashion, zero if it is released bundled with an earnings announcement. We define bundled as a forecast issued within two days of an earnings announcement.
Unbundle	An indicator variable set to one if the firm released its first forecast bundled with an earnings announcement, and its guidance update is issued on a stand-alone basis or unbundled from an earnings announcement.
Bundle	An indicator variable set to one if the firm released its first forecast in a stand-alone fashion, and its guidance update is released in a bundled earnings announcement.
GuidanceInHeadline	An indicator variable set to one if there are guidance words (including plural and verb forms of guidance, expectation, forecast, outlook, estimate, anticipate, and target) in the headline, zero otherwise.
GuidancePlacement InAnnoucement	The average of the sequential order of guidance words in the earnings announcement scaled by the total words in the earnings announcement. Higher values indicate later in the document.
GuidanceWordsIn Announcement	The number of guidance words in the earnings announcement scaled by the total words in the earnings announcement.
Downplay	An indicator variable set to one if the firm materially decreases its emphasis on earnings guidance within a bundled earnings announcement for the earnings guidance update, relative to the emphasis placed on the earnings guidance for its first forecast. We identify material decreases as those observations where the aggregate sum of increase/decrease indicators (-1, 0, +1) for our guidance headline, placement, and word variables is negative. Headline changes are calculated by subtracting the first forecast *GuidanceInHeadline* variable from the guidance update *GuidanceInHeadline* variable. The indicator variable for placement is

Variable	***Definition of Variable***
	set to +1 (-1) when the *GuidancePlacementInAnnoucement* variable for the guidance update is more than one sample standard deviation earlier (later) in the document, relative to the *GuidancePlacement InAnnoucement* variable for the first forecast, zero otherwise. The indicator variable for words is set to +1 (-1) when the *GuidanceWordsInAnnoucement* variable for the guidance update is more than one sample standard deviation greater (smaller) than the *GuidanceWords InAnnoucement* variable for the first forecast, zero otherwise.
Emphasize	An indicator variable set to one if the firm materially decreases its emphasis on earnings guidance within a bundled earnings announcement for the earnings guidance update, relative to the emphasis placed on the earnings guidance for its first forecast. We identify material decreases as those observations where the aggregate sum of increase/decrease indicators (-1, 0, +1) for our guidance headline, placement, and word variables is positive. Calculation is similar to *Downplay* above.
ForecastError	The actual annual earnings per share less the first annual earnings forecast, scaled by the stock price preceding the first annual EPS forecast.
Market Consequence and Analyst Response Variables	
Abnormal Return$_{[-1,+1]}$	The three-day market-adjusted returns surrounding the annual EPS forecast update announcement.
AVAR$_{[-1,+1]}$	The abnormal stock return volatility in the three days surrounding the annual EPS forecast update announcement. We calculate abnormal stock return volatility as the natural log of the ratio of the event window return volatility to the return volatility in the non-event period, calculated consistently with prior research (e.g., Landsman et al., 2012). Specifically, $AVAR_i = \ln(\overline{u_{it}^2} / \sigma_i^2)$, where u^2 is the mean of the squared market model returns for days -1, 0 and +1, relative to announcement day 0; and σ^2 is the variance of the market model residuals for firm-year *i* in the non-event window (60 trading days preceding the event window).
ΔSpreads$_{[-1,+1]}$	The abnormal bid-ask spread, calculated as the event period average daily percent spread minus the non-event period average daily percent spread (consistent with Bushee et al., 2010). The event window is the three-days surrounding the annual EPS forecast update announcement and the non-event period is the 60 trading days preceding the event window. Daily percent spread is the daily average of each quote's spread, calculated as the difference between and offer price and a bid price divided by the midpoint of the offer and bid price (multiplied by 100). We use quotes with a positive spread between 9:30 am and 4:00 pm, and remove quotes with spreads higher than 90% of the mid-point.
ΔAnalyst Forecast$_{[1,30]}$	The consensus (median) analyst forecast based on all annual analyst forecasts revised in the 30 days following the guidance update announcement, less the consensus for these same analysts prior to the

Variable	***Definition of Variable***
	guidance update announcement, scaled by the stock price prior to the guidance update.
ΔAnalyst Dispersion[1,30]	The standard deviation of the annual analyst forecasts revised in the 30 days following the guidance update announcement, less the standard deviation of the forecasts for these same analysts prior to the guidance update announcement, scaled by the stock price prior to the guidance update.
AnalystFcstError	The actual realized EPS for the forecasted fiscal year end minus the consensus (median) analyst forecast after the guidance update, scaled by the stock price prior to the guidance update. We calculate the consensus analyst forecast by using only the annual analyst forecasts revised in the 30 days following the guidance update announcement.
AbsAnalyst FcstError	The absolute value of *AnalystFcstError*.
Determinant Variables and Controls (in order of first appearance in paper)	
ΔStdDevReturns	The standard deviation of daily raw returns for the three months ending on the day prior to the forecast update announcement minus the standard deviation of daily raw returns for the three months ending on the day prior to the first forecast. For the *Unbundle* analysis, we use the standard deviation of daily raw returns for the three months ending on the date 10 days after the prior quarterly earnings announcement, in lieu of the *StdDevReturns* ending on the day prior to the forecast update announcement, in order to hold the timing constant between unbundled and bundled observations.
ΔAnalystDispersion	The change in analyst dispersion from the I/B/E/S calculation date before the first forecast to the I/B/E/S calculation date immediately preceding the forecast update, scaled by the stock price prior to the first forecast. Analyst dispersion is the standard deviation of all outstanding annual analyst forecasts. For the *Unbundle* analysis, we use the analyst dispersion at the calculation date immediately preceding the date 10 days after the prior quarterly earnings announcement, in lieu of the dispersion immediately preceding the forecast update announcement, in order to hold the timing constant between unbundled and bundled observations.
Synchronicity	The portion of the firm's stock returns in the 13 weeks leading up to the forecast announcement explained by market and industry returns. Consistent with Piotroski and Roulstone (2004), we calculate *Synchronicity* as the log of $(R^2/(1-R^2))$ from a regression of the firm's weekly returns on contemporaneous and one-week lagged market and industry (same 2-digit SIC) returns. For the *Unbundle* analysis, we calculate *Synchronicity* for the 13 weeks ending 10 days after the prior quarterly earnings announcement in order

Variable	***Definition of Variable***
	to hold the timing constant between unbundled and bundled observations.
GoodNews_Returns	An indicator set to one if the 3-month raw stock returns ending on the day prior to the forecast update announcement are positive, zero otherwise.
GoodNews_ Forecasts	An indicator set to one if the change in consensus analyst forecast from a calculation date immediately following the first forecast to one immediately preceding the forecast update announcement is positive, zero otherwise.
PriorLawsuit	An indicator variable set to one if the firm is named in a class action lawsuit per the Stanford Class Action Clearinghouse database in the 12 months prior to the first forecast, zero otherwise.
AbsStockReturn	The absolute value of the buy-and-hold 3-month raw stock return ending on the day before the forecast update announcement. For the *Unbundle* analysis, we calculate *AbsStockReturn* as the absolute value of the 3-month raw stock return ending 10 days after the prior quarterly earnings announcement in order to hold the timing constant between unbundled and bundled observations.
Abs(ΔAnalyst Forecast)	The absolute value of the change in consensus (median) analyst forecast from a calculation date immediately following the first forecast to one immediately preceding the forecast update announcement, scaled by the stock price preceding the first forecast date. For the *Unbundle* analysis, we use the consensus analyst forecast immediately preceding the date 10 days after the prior quarterly earnings announcement, in lieu of the consensus immediately preceding the forecast update announcement, in order to hold the timing constant between unbundled and bundled observations.
Unbundle_ SameQPrYear	An indicator variable set to one if the company released earnings guidance in a stand-alone fashion during the same quarter from the prior year, zero otherwise. We define stand-alone guidance to be a forecast released at least two days after the earnings announcement from the prior quarter and at least two days before the earnings announcement of the current quarter.
LnMVE	The natural log of the firm's market value of equity as of the first forecast date.
Market-to-Book	The ratio of a firm's market value of equity to its book value of equity as of the first forecast.
Beta	The slope coefficient from regressing daily returns on the CRSP value-weighted index over the year preceding the first forecast.
AnalystFollow	The number of analysts providing annual earnings estimates during the prior year preceding the first forecast.
GoodNews_ EarnSurp	An indicator variable set to one if the actual quarterly EPS reported on the forecast announcement date (bundled) or the subsequent earnings announcement date (unbundled) minus outstanding analyst consensus as

Variable	***Definition of Variable***
	of 10 days after the preceding earnings announcement is positive, zero otherwise. For the *Downplay/Emphasis* analyses, we measure the outstanding analyst consensus immediately preceding the forecast update announcement, as all of the observations are bundled with EAs and timing is relatively consistent.
AbsEarnSurprise	The absolute value of the actual quarterly EPS reported on the forecast update announcement (bundled) or the subsequent earnings announcement date (unbundled) minus outstanding analyst consensus as of 10 days after the preceding earnings announcement, scaled by the stock price preceding the first forecast. For the *Downplay/Emphasis* analyses, we measure the outstanding analyst consensus immediately preceding the forecast update announcement, as all of the observations are bundled with EAs and timing is relatively consistent.
Surprises_ SameSign	An indicator variable set to one if: (i) both the *RevisionSurprise* and the *EarnSurprise* are greater than 0.0001; or (ii) the *RevisionSurprise* and the *EarnSurprise* are less than -0.0001, zero otherwise. *EarnSurprise* is the difference between the actual EPS reported on the forecast update announcement (bundled) or the subsequent earnings announcement date (unbundled) minus the outstanding analyst consensus as of 10 days after the preceding earnings announcement, scaled by stock price before the first forecast. *RevisionSurprise* is the difference between the midpoint of the management annual EPS forecast provided in the guidance update announcement less the outstanding analyst forecast for the same fiscal year as of 10 days after the preceding earnings announcement, scaled by stock price before the first forecast. For the *Downplay/Emphasis* analyses, we measure the outstanding analyst consensus immediately preceding the forecast update announcement, as all of the observations are bundled with EAs and timing is relatively consistent.
HiMedia	An indicator variable set to one if the number of Ravenpack news stories mentioning the firm in the 12-months prior to the forecast update are greater than the sample median, zero otherwise.
GoodNews_RevSurp	An indicator variable set to one if the *RevisionSurprise* is positive, zero otherwise. *RevisionSurprise* is the difference between the midpoint of the management annual EPS forecast provided in the guidance update announcement less the outstanding analyst forecast for the same fiscal year as of 10 days after the preceding earnings announcement, scaled by stock price before the first forecast. For the *Downplay/Emphasis* analyses, we measure the outstanding analyst consensus immediately preceding the forecast update announcement, as all of the observations are bundled with EAs.

Variable	***Definition of Variable***
AbsRevisionSurprise	The absolute value of *RevisionSurprise*, where *RevisionSurprise* is the difference between the midpoint of the management annual EPS forecast provided in the guidance update announcement less the outstanding analyst forecast for the same fiscal year as of 10 days after the preceding earnings announcement, scaled by stock price before the first forecast. For the *Downplay/Emphasis* analyses, we measure the outstanding analyst consensus immediately preceding the forecast update announcement, as all of the observations are bundled with EAs.
AbsMgmtRevision	The absolute value of the change in the midpoint of management's annual EPS forecast from first forecast to the forecast update announcement, scaled by the stock price before the first forecast.
Market Consequence and Analyst Response Predictor and Control Variables	
BundledEA	An indicator variable set to one if the firm's forecast update is announced within two days of an earnings announcement, zero otherwise.
BundledUnexpect Earn	The quarterly EPS bundled with the forecast update less the analyst consensus EPS immediately preceding the announcement, scaled by stock price preceding the announcement for bundled forecast observations, zero for unbundled observations.
Abs(Bundled UnexpectEarn)	The absolute value of *BundledUnexpectEarn*.
UpdateHorizon	The number of days between the forecast update announcement and the announcement of the actual EPS for that fiscal year.
DaysBetRevision AndEA	The number of days between the forecast update announcement and the nearest earnings announcement, calculated as the date of the concurrent earnings announcement (bundled) or the subsequent earnings (unbundled) minus the forecast update date.
UnexpectRevision	The traditional measure of revision surprise, calculated as the difference between the midpoint of the management annual EPS forecast provided in the guidance update announcement less the outstanding analyst forecast for the same fiscal year immediately preceding the guidance update announcement, scaled by stock price before the forecast update announcement.
Unexpect Revision_RV	The Rogers and Van Buskirk (2013)-adjusted measure of revision surprise. This adjustment accounts for how analyst forecast would change in the absence of a management forecast (i.e., strictly in response to the bundled earnings announcement itself). We provide details on the calculation of this measure below.
StdEPS	Standard deviation of earnings per share for the 8 quarters immediately preceding the forecast update announcement. We use I/B/E/S actual earnings per share for this calculation.
ERC	The earnings response coefficient, calculated with a firm-specific regression of returns on unexpected earnings. We use the 16 quarters

Variable	*Definition of Variable*
	immediately preceding the forecast update announcement and require at least 8 quarters.
InsideOwnership	The percentage of total shares outstanding owned by the top-five paid executives in the firm as of the fiscal year ending immediately prior to the forecast update announcement.
InsideTrades	The total number of trades made by insiders in the 60-day period surrounding the forecast update date (i.e., 30 days before and after).

Appendix B (Continued)

***UnexpectRevision_RV* Calculation**

Rogers and Van Buskirk (2013) show that forecast news, as traditionally measured using existing analyst expectations, can result in forecast news being mechanically correlated with earnings news. Therefore, we include both traditional forecast news and Rogers Van Buskirk-adjusted forecast news in our tests of the market reaction to unbundled and emphasized/downplayed forecasts. To ensure consistency with the existing literature, we follow Hilary, Hsu and Wang (2014) in our implementation of the Rogers and Van Buskirk adjustment. We begin by estimating the following first-stage regression using all earnings announcements made 2006-2015:[22]

$$Bundled = \alpha + \beta_1 FCCurrentEarnings + \beta_2 BundledPriorEarnings + \beta_3 GoodNews_{UE} + \beta_4 BadNews_{UE} + \beta_5 AbsUnexpectEarn + \beta_6 AnalystDispersion + \beta_7 StockReturn + \beta_8 LnMveEA + \beta_9 AnalystFollowingEA + \beta_{10} MBE + \beta_{11} Year + industry\ fixed\ effects + \varepsilon,$$

where, *Bundled* is an indicator variable equal to one if there is a management forecast issued within two days of the earnings announcement and zero otherwise. *FCCurrentEarnings* is equal to one if managers had issued a forecast for the current period's earnings and zero otherwise. *BundledPriorEarnings* is equal to one if there was a forecast issued with the prior quarter's earnings announcement and zero otherwise. *GoodNews_UE* is equal to one if actual EPS reported in forecast announcement minus the median analyst forecast as of the I/B/E/S statistical period immediately prior is greater than 0.0001, zero otherwise. *BadNews_UE* is equal to one if actual EPS reported in forecast announcement minus median analyst forecast as of the I/B/E/S statistical period immediately prior is less than -0.0001, zero otherwise. *AbsUnexpectEarn* is equal to the absolute value of EPS reported in earnings announcement minus analyst consensus from I/B/E/S statistical period immediately prior, scaled by price. *Loss* equals one if reported EPS is less than zero and zero otherwise. *AnalystDispersion* is the standard deviation of analyst estimates as of the I/B/E/S statistical period immediately prior to the earnings announcement. *StockReturn* is the cumulative return over the 90-day period ending the day before the earnings announcement.

[22] We diverge from both Rogers and Van Buskirk (2013) in that we do not include an indicator variable for whether the firm held a conference call within one day of the earnings announcement, as we do not subscribe to a conference call database. That said, we believe that the overwhelming majority of firms during our sample period hold conference calls, as 97% of firms surveyed by NIRI in 2014 held quarterly conference calls. Thus, we do not believe that this omission affects the reliability of our adjustment in any way.

LnMveEA is the natural log of the market value of equity, as of the day before the earnings announcement. *AnalystFollowingEA* is the natural log of one plus the number of analysts providing annual earnings estimates during the year preceding the earnings announcement. *MBE* is the proportion of the previous four earnings announcement that the firm met or beat analyst expectations. *Year* is the calendar year of the earnings announcement. Consistent with Rogers and Van Buskirk (2013), we winsorize continuous variables and include 2-digit SIC fixed effects in this first-stage regression.

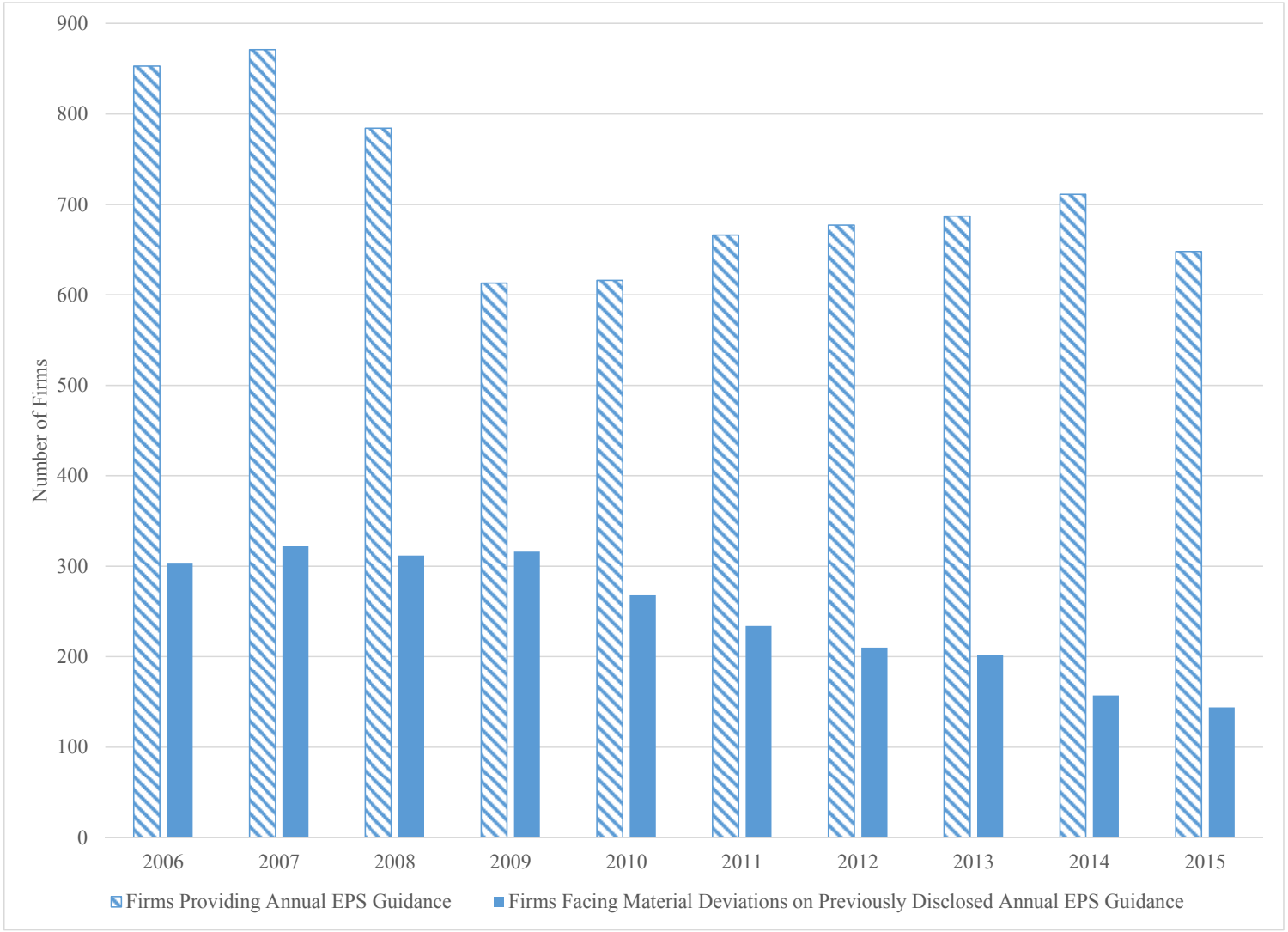
We then use the predicted probability of the firm issuing a bundled forecast to run the following second stage regression, using only non-bundled earnings announcement firms:

$$AnalystRevision = \alpha + \beta_1 GoodNews_{UE} + \beta_2 BadNews_{UE} + \beta_3 GoodNews_{UE} x\ UnexpectEarn + \beta_4 BadNews_{UE}\ x\ UnexpectEarn + \beta_5 StockReturn\ + \beta_6 UnexpectEarn\ + \beta_7 AbsUnexpectEarn\ + \beta_8 UnexpectEarn\ x\ MVERank + \beta_9 UnexpectEarn\ x\ EPRank + \beta_{10}\Pr(Bundled)\ + \varepsilon.$$

AnalystRevision is the analyst revision measured using the median analyst estimate of annual EPS five days after the earnings announcement, minus the median analyst estimate outstanding immediately prior to the current period's earnings announcement, scaled by price. *MVERank* is the decile rank of the firm's market value of equity as of the day before the announcement. *EPRank* is the decile rank of the firm's Earnings to Price ratio. *Pr(Bundled)* is equal to the predicted probability that the firm will issue a forecast with the earnings announcement, as described in Equation 1. All other variables are measured as previously described.

Finally, we use the coefficients from the model described by equation 2 and using the non-forecasting group, calculate the predicted revision to analysts' annual EPS expectations driven by the earnings surprise included with the bundled forecast. We then adjust our existing measure of analyst expectations (the median analyst forecast) by the amount of the predicted analyst revision to obtain the conditional consensus analyst forecast. Finally, we calculate *UnexpectRevision_RV* as the management forecast minus the conditional analyst expectation, measured at the appropriate date (as of ten days after the previous earnings announcement, or the statistical period immediately prior, respectively).

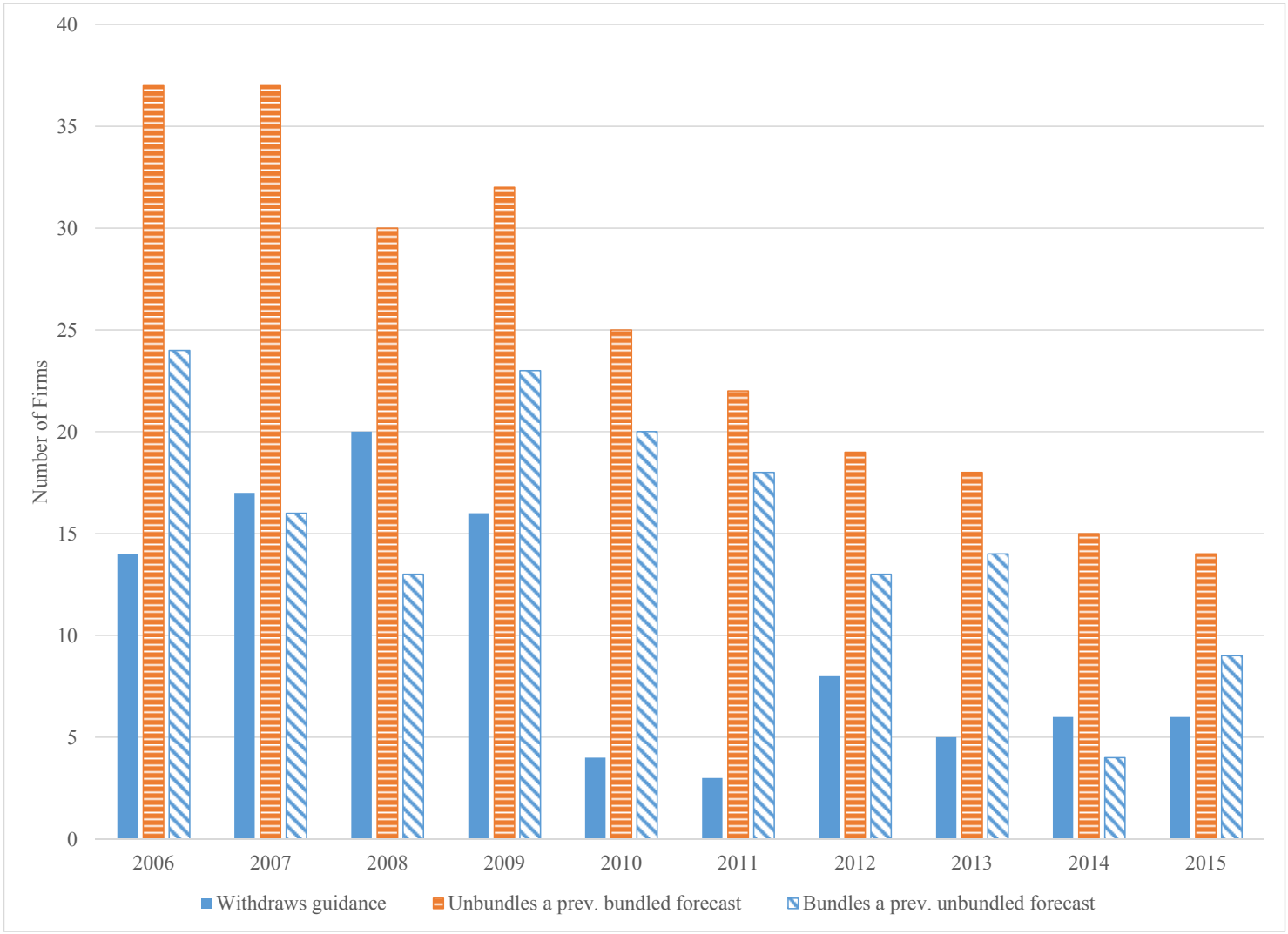
Figure 1
Firms Facing Material Deviations on Previously Released Annual Earnings Guidance By Year



Notes: This figure plots the annual number of firms facing a material deviation on a previously disclosed annual earnings forecast, compared to the annual number of firms issuing annual earnings guidance. We follow Kasznik and Lev (1995) and use one percent of stock price as our materiality threshold. As such, an observation with a material deviation is one where the ex post forecast error of the first forecast (scaled by price) is greater than 1 percent (i.e., [actual EPS – first forecast EPS] / stock price > 0.01).

Figure 2
Annual Guidance Disclosure Changes by Year for Firms Facing Material Deviations

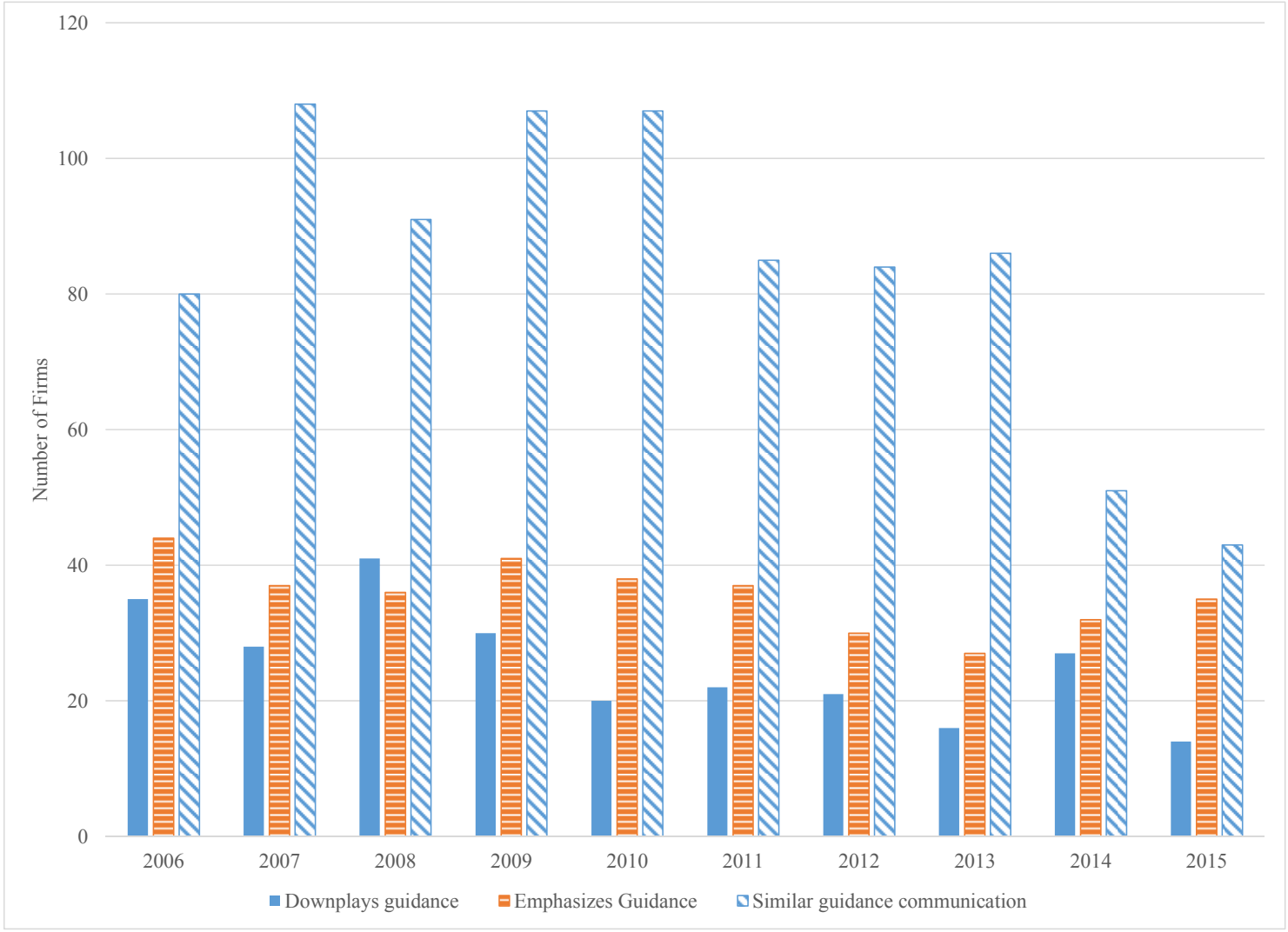
Panel A: Withdrawals and Changes in Bundling with Earnings Announcements



Notes: This figure plots the changes in earnings guidance communication by year for firms facing an obligation to update. Panel A summarizes the number of firms per year that withdraw their forecasts or change their bundling strategy. Panel B summarizes the number of firms that change the emphasis placed on guidance information and those that exhibit no change in their guidance communication.

Figure 2 (Continued)

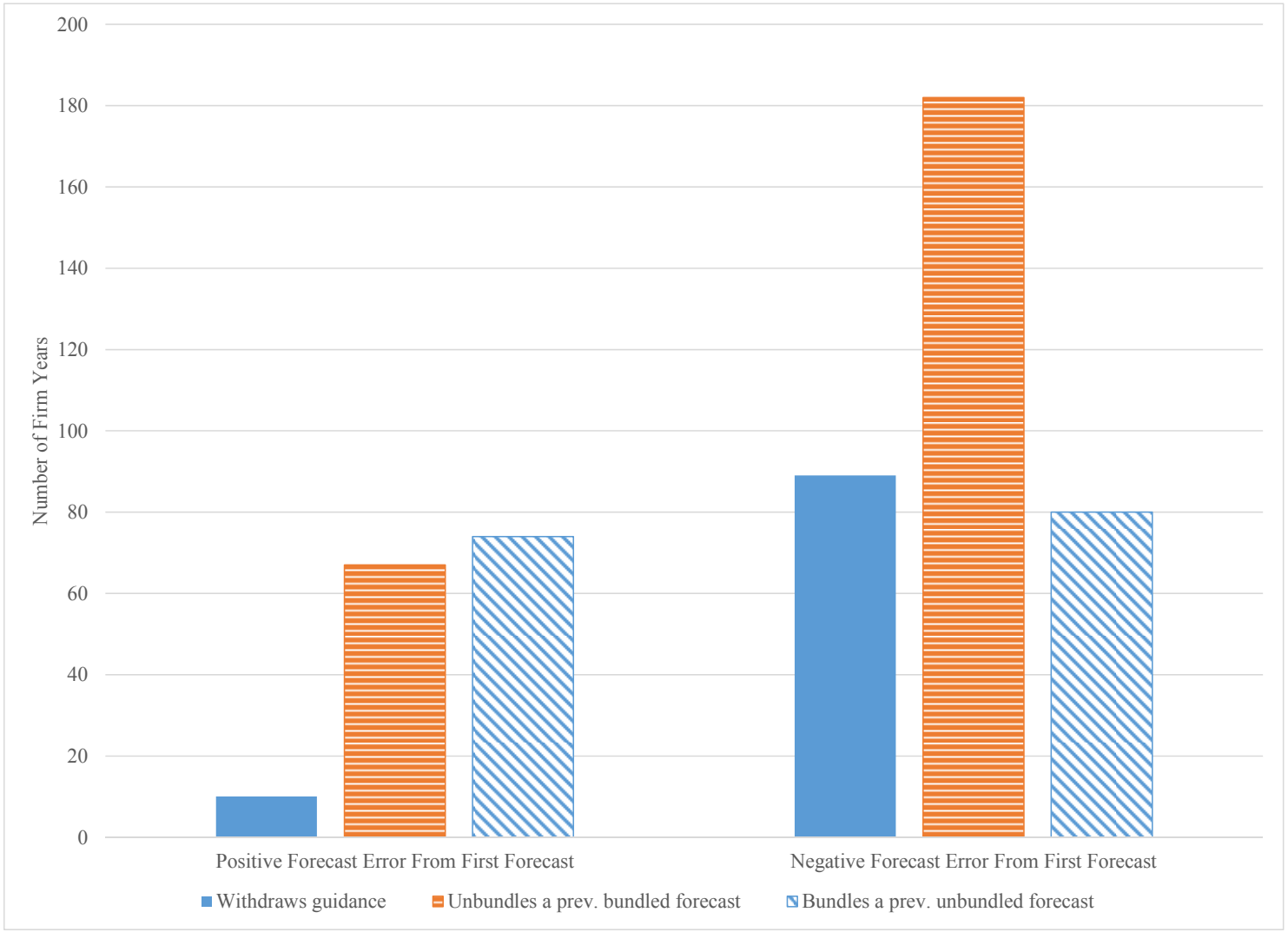
Panel B: Downplays and Emphasizes the Guidance Update



Notes: This figure plots the changes in earnings guidance communication by year for firms facing an obligation to update. Panel A summarizes the number of firms per year that withdraw their forecasts or change their bundling strategy. Panel B summarizes the number of firms that change the emphasis placed on guidance information and those that exhibit no change in their guidance communication.

Figure 3
Annual Guidance Disclosure Changes by Direction of the Ex Post Forecast Error for Firms Facing Material Deviations

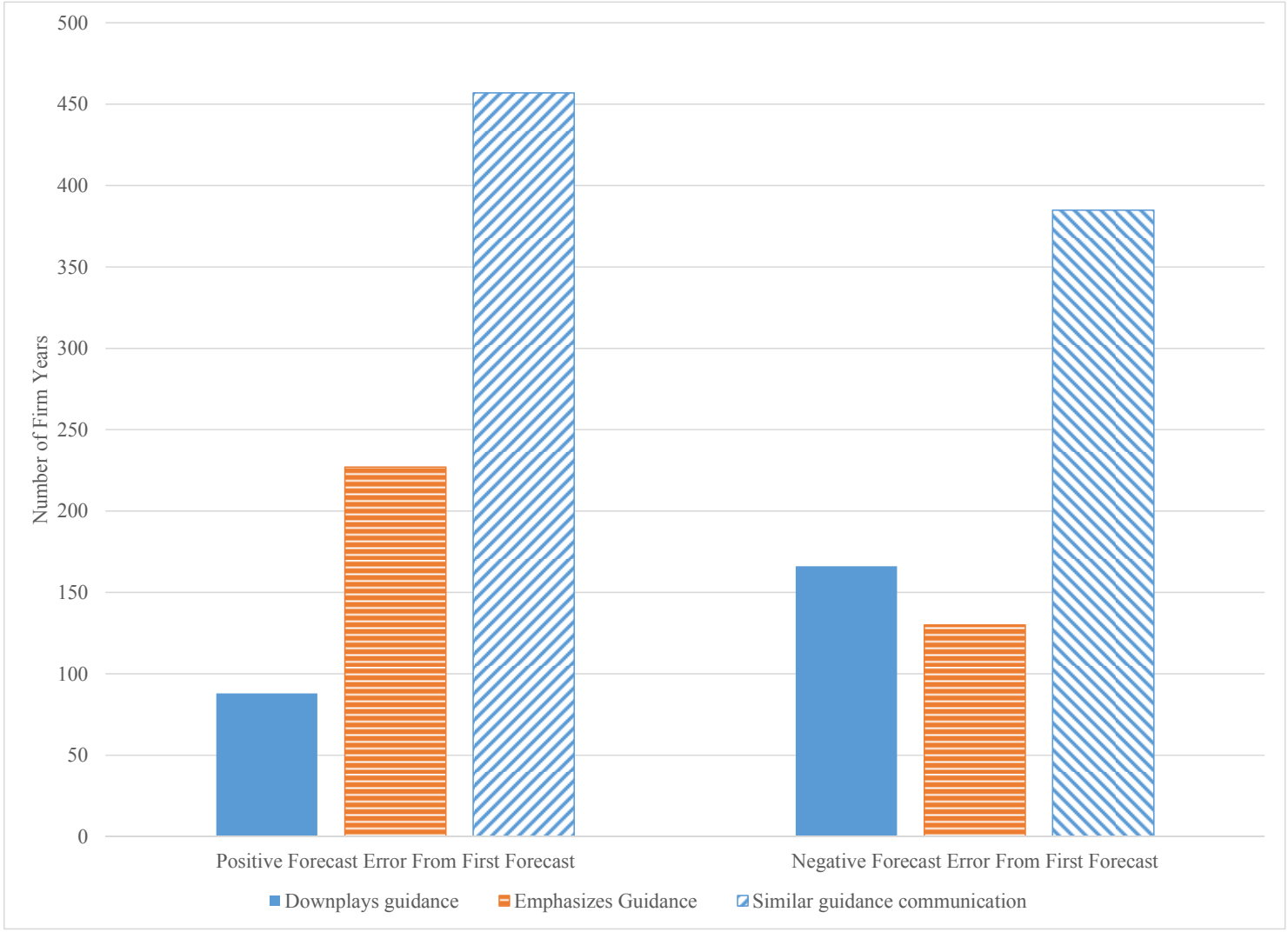
Panel A: Withdrawals and Changes in Bundling with Earnings Announcements



Notes: This figure plots the changes in earnings guidance communication for firms facing an obligation to update, split on the direction (i.e., positive or negative) of the ex post forecast error for the first forecast. Panel A summarizes the number of firms per year that withdraw their forecasts or change their bundling strategy. Panel B summarizes the number of firms that change the emphasis placed on guidance information and those that exhibit no change in their guidance communication.

Figure 3 (Continued)

Panel B: Downplays and Emphasizes the Guidance Update



Notes: This figure plots the changes in earnings guidance communication for firms facing an obligation to update, split on the direction (i.e., positive or negative) of the ex post forecast error for the first forecast. Panel A summarizes the number of firms per year that withdraw their forecasts or change their bundling strategy. Panel B summarizes the number of firms that change the emphasis placed on guidance information and those that exhibit no change in their guidance communication.

Table 1
Sample Selection

	Firm Years
U.S. Firm Years with Annual EPS Guidance in I/B/E/S (2006-2015)	11,820
Less: firm years where first annual EPS guidance is early (prior to previous year's 3Q EA) or late (after previous year's 4Q EA)	(2,798)
Less: firm years without merge to Compustat, CRSP, and I/B/E/S analyst data	(1,574)
Less: firm years with stock prices below $5.00	(217)
Less: firm years where management and analysts appear to forecast EPS on different basis (e.g., diluted versus basic, different split timing, etc)	(105)
Total Firm Years with Annual EPS Guidance	7,126
Less: firm years with 'immaterial' surprises (i.e., actual EPS - initial forecasted EPS is less than 1 percent of stock price)	(4,658)
Total Firm Years with Annual Guidance Facing a Material Deviation	**2,468**
Less: firm years where a guidance document is not identifable	(316)
Less: firm years where the announcement date for the material guidance update is not available	(197)
Total Sample	**1,955**

Notes: This table documents our sample selection procedure for this study. The first sub-total documents the total number of firm years where annual EPS guidance is provided, subject to sample restrictions (7,126 firm years). The second sub-total documents the number of the firm years with annual EPS guidance that face a material deviation, and therefore an obligation to update (2,468 observations). The final sub-total represents our sample total to investigate the determinants and consequences of changes in guidance communication when facing an obligation to update (1,955 observations). We discuss our sample selection procedures in detail in section 3.1.

Table 2
Descriptive Statistics

Panel A: Statistics of the Change in Annual Guidance Communication

	Firm Years	Percent of Total	Percent of Changers
Firm withdraws annual guidance	99	5%	9%
Firm unbundles the guidance from the EA	249	13%	22%
Firm bundles the guidance with an EA	154	8%	14%
Subtotal - changes in bundling	403	21%	36%
Firm downplays the guidance update in a bundled EA	254	13%	23%
Firm emphasizes the guidance update in a bundled EA	357	18%	32%
Subtotal - changes in emphasis	611	31%	55%
Total with changes in communication for the guidance update	1,113	57%	100%
Firm updates with similar disclosure communication to first forecast	842	43%	
Total where date of update announcement is identifiable	1,955	100%	
Other firm actions where announcement date is not identifiable			
Qualitative revisions (vague language)	33		
Firm policy to only update quarterly forecasts	38		
Firm discontinues annual guidance	37		
Firms with errors or discrepancies between 8-K and IBES	35		
Total firms providing updated guidance in an 8-K	2,098		
Firms that appear to provide no update to annual guidance	54		
Total where guidance is provided in an 8-K	2,152		
Firm years where a guidance document is not identifable (i.e., guidance likely provided in conference call only)	316		
Total Sample	2,468		

Panel B: Comparison of First Forecast to Guidance Update

	First Forecast (n= 1,955)		*Material Update* (n= 1,955)		Test of Difference (Paired p-values)	
	Mean	Median	Mean	Median	Mean	Median
Withdraw	0.000	0.000	0.051	0.000		<0.01
Unbundled	0.105	0.000	0.168	0.000		<0.01
GuidanceInHeadline	0.510	1.000	0.566	1.000		<0.01
GuidancePlacementInAnnouncem	0.389	0.375	0.371	0.362	<0.01	<0.01
GuidanceWordsInAnnouncement	0.008	0.006	0.008	0.007	0.66	<0.01
ForecastError	-0.010	-0.011	-0.005	0.001	<0.01	<0.01
AbsForecastError	0.032	0.020	0.015	0.007	<0.01	<0.01
PositiveForecastError	0.472	0.000	0.554	1.000		<0.01

Notes: This table summarizes the changes in earnings guidance communication for firms facing an obligation to update (i.e., a material deviation form the first forecast). Panel A provides a breakdown of the changes in guidance communication and a reconciliation to our sample selection procedure in Table 1. Panel B presents descriptive statistics to compare the first forecast to the guidance update. We define all variables in Appendix B. Tests of differences are based on two-sided t-tests for means, Wilcoxon rank-sum tests for medians, and $\chi 2$ tests for binary variables.

Table 3
Determinants of the Decision to Withdraw Annual Guidance

Panel A: Univariate Statistics

	Withdraw=1 (n= 99)		*Withdraw=0* (n= 1,856)		Test of Difference (p-values)	
	Mean	Median	Mean	Median	Mean	Median
Δ*StdDevReturns*	0.009	0.003	0.002	0.001	<0.01	<0.01
Δ*AnalystDispersion*	0.002	0.001	0.001	0.001	0.02	0.13
Synchronicity	0.113	0.234	0.063	0.108	0.65	0.63
GoodNews_Returns	0.273	0.000	0.523	1.000		<0.01
GoodNews_Forecasts	0.152	0.000	0.432	0.000		<0.01
PriorLawsuit	0.051	0.000	0.031	0.000		0.29
AbsStockReturn	0.233	0.204	0.166	0.130	<0.01	<0.01
Abs(ΔAnalystForecast)	0.014	0.012	0.008	0.005	<0.01	<0.01
LnMVE	6.764	6.690	7.175	7.021	<0.01	<0.01
Market-to-Book	2.950	1.759	2.792	2.030	0.63	0.06
Beta	1.168	1.110	1.166	1.140	0.95	0.80
AnalystFollow	11.364	11.000	12.009	10.000	0.41	0.62

Panel B: Logistic Regressions

Dependent Variable: Withdraw				
	Hyp. Sign	Margin	*p-value*	
Primary Variables				
Δ*StdDevReturns*	(+)	0.5763	*0.01*	***
Δ*AnalystDispersion*	(+)	0.3288	*0.35*	
Synchronicity	(+)	0.0051	*0.04*	**
GoodNews_Returns	(-)	-0.0109	*0.08*	*
GoodNews_Forecasts	(-)	-0.0269	*0.00*	***
PriorLawsuit	(+)	0.0230	*0.09*	*
AbsStockReturn	(+)	0.0195	0.293	
Abs(ΔAnalystForecast)	(+)	0.6880	*0.00*	***
Control Variables				
LnMVE		-0.0105	*0.00*	***
Market-to-Book		0.0012	*0.23*	
Beta		-0.0010	*0.90*	
AnalystFollow		0.0013	*0.02*	**
Fixed Effects		*Year, Industry*		
Psuedo R-Square		*0.198*		
Area under ROC		*0.834*		
N		*1,739*		

Notes: This table provides details on the tests examining the determinants of withdrawing previously disclosed annual EPS forecast. Panel A provides descriptive statistics and univariate tests across the withdrawal and no-withdrawal samples (*Withdraw*). Tests of differences are based on two-sided t-tests for means, Wilcoxon rank-sum tests for medians, and $\chi 2$ tests for binary variables. Panel B provides multivariate logistic regressions of the withdrawals (*Withdraw*) on proxies for increases in manager uncertainty, litigation risk, and the strength of the incentives from the obligation to update, control variables, and time and industry fixed effects. Industry fixed effects use 2-digit SIC codes and industries with no variation in *Withdraw* are excluded. We provide variable definitions in Appendix B. Regression marginal effects are calculated holding all other covariates at the sample mean. Regression standard errors are Huber/White robust estimators clustered by firm. P-Values are one-sided for those with directional predictions, two-sided otherwise. We report (1-p) values for coefficients that assume a sign opposite of the one predicted.

Table 4
Market Consequences of Withdrawing Annual Guidance

Panel A: Univariate Statistics for the Full Sample

	Withdraw=1 (n= 99)		*Withdraw=0* (n= 1,856)		Test of Difference (p-values)	
	Mean	Median	Mean	Median	Mean	Median
AbnormalReturn $_{[-1,+1]}$	-0.1073	-0.0818	-0.0123	-0.0018	<0.01	<0.01
AVAR $_{[-1,+1]}$	0.8561	0.9022	0.6098	0.8292	0.39	0.45
Δ*Spreads* $_{[-1,+1]}$	0.0712	0.0167	0.0173	0.0026	<0.01	<0.01
BundledEA	0.4949	0.0000	0.8497	1.0000		<0.01
BundledUnexpectEarn	-0.0053	0.0000	0.0007	0.0006	<0.01	<0.01

Panel B: Full Sample Regressions

Dependent Variable:	***AbnormalReturn*** $_{[-1,+1]}$			***AVAR*** $_{[-1,+1]}$			Δ***Spreads*** $_{[-1,+1]}$		
	(1)			(2)			(3)		
	Hyp.	Coef.	*t-stat*	Hyp.	Coef.	*t-stat*	Hyp.	Coef.	*t-stat*
Primary Variable									
Withdraw	**(-)**	-0.040	*-2.31* ***	**(+)**	0.754	*1.96* **	**(+)**	0.060	*2.04* **
Control Variables									
BundledEA		0.042	*2.26* **		-0.082	*-0.19*		0.018	*0.61*
BundledUnexpectEarn		1.833	*2.27* **						
Abs(BundledUnexpectEarn)					-16.446	*-1.14*		1.155	*1.05*
Intercept		-0.079	*-4.84* ***		0.241	*0.63*		-0.004	*-0.17*
Weighting	*Entropy Balanced (3)*			*Entropy Balanced (3)*			*Entropy Balanced (3)*		
Adj. R-Square	*0.086*			*0.023*			*0.023*		
N	*1,955*			*1,955*			*1,953*		

Notes: This table provides details on the tests examining the market consequences of withdrawing previously disclosed annual EPS forecast, after controlling for the decision to withdraw. Panels A and B use the full sample, while Panels C and D use a sub-sample of observations not bundled with earnings announcements. Panel A (Panel C) provides descriptive statistics and univariate tests across the withdrawal and non-withdrawal samples (*Withdraw*) in the full (unbundled) sample. Tests of differences are based on two-sided t-tests for means, Wilcoxon rank-sum tests for medians, and $\chi 2$ tests for binary variables. Panel B provides multivariate regressions of three market consequence dependent variables (3-day abnormal returns, abnormal stock return volatility, and abnormal spreads) on withdrawals and controls for the bundled earnings announcement information for the full sample. Panel D provides similar regressions to Panel B for the unbundled sample, but it excludes the controls because all observations are unbundled. We control for the choice to withdraw by entropy balancing our control sample to our treatment sample on the determinant variables included in Table 3. We entropy balance to the highest moment where convergence is obtainable (3rd moment in Panel B, i.e., mean, variance, and skewness; 1st moment in Panel D). We provide variable definitions in Appendix B. Regression standard errors are Huber/White robust estimators clustered by firm. *, **, ***: significant at 10%, 5%, 1% (one-sided for those with directional predictions, two-sided otherwise).

Table 4 (Continued)

Panel C: Univariate Statistics for Unbundled Observations

	Withdraw=1 (n= 50)		*Withdraw=0* (n= 279)		Test of Difference (p-values)	
	Mean	Median	Mean	Median	Mean	Median
$AbnormalReturn_{[-1,+1]}$	-0.1207	-0.0911	-0.0541	-0.0302	<0.01	<0.01
$AVAR_{[-1,+1]}$	1.0627	0.8627	0.4085	0.3748	0.13	0.10
$\Delta Spreads_{[-1,+1]}$	0.0503	0.0133	-0.0033	-0.0039	0.01	<0.01

Panel D: Unbundled Sample Regressions

Dependent Variable:	***AbnormalReturn*** $_{[-1,+1]}$			***AVAR*** $_{[-1,+1]}$			Δ***Spreads*** $_{[-1,+1]}$		
	(1)			(2)			(3)		
	Hyp.	Coef.	*t-stat*	Hyp.	Coef.	*t-stat*	Hyp.	Coef.	*t-stat*
Primary Variable									
Withdraw	**(-)**	-0.041	*-1.56* *	**(+)**	1.424	*2.38* ***	**(+)**	0.0370	*1.21*
Control Variables									
Intercept		-0.080	*-4.66* ***		-0.361	*-0.80*		0.0133	*0.67*
Weighting	*Entropy Balanced (1)*			*Entropy Balanced (1)*			*Entropy Balanced (1)*		
Adj. R-Square	*0.021*			*0.054*			*0.009*		
N	*329*			*329*			*329*		

Notes: This table provides details on the tests examining the market consequences of withdrawing previously disclosed annual EPS forecast, after controlling for the decision to withdraw. Panels A and B use the full sample, while Panels C and D use a sub-sample of observations not bundled with earnings announcements. Panel A (Panel C) provides descriptive statistics and univariate tests across the withdrawal and non-withdrawal samples (*Withdraw*) in the full (unbundled) sample. Tests of differences are based on two-sided t-tests for means, Wilcoxon rank-sum tests for medians, and $\chi 2$ tests for binary variables. Panel B provides multivariate regressions of three market consequence dependent variables (3-day abnormal returns, abnormal stock return volatility, and abnormal spreads) on withdrawals and controls for the bundled earnings announcement information for the full sample. Panel D provides similar regressions to Panel B for the unbundled sample, but it excludes the controls because all observations are unbundled. We control for the choice to withdraw by entropy balancing our control sample to our treatment sample on the determinant variables included in Table 3. We entropy balance to the highest moment where convergence is obtainable (3rd moment in Panel B, i.e., mean, variance, and skewness; 1st moment in Panel D). We provide variable definitions in Appendix B. Regression standard errors are Huber/White robust estimators clustered by firm. *, **, ***: significant at 10%, 5%, 1% (one-sided for those with directional predictions, two-sided otherwise).

Table 5
Analyst Behavior Surrounding the Withdrawal of Annual Guidance

Panel A: Univariate Statistics for the Full Sample

	Withdraw=1 (n= 97)		*Withdraw=0* (n= 1,823)		Test of Difference (p-values)	
	Mean	Median	Mean	Median	Mean	Median
$\Delta AnalystForecast_{[1,30]}$	-0.0282	-0.0165	-0.0049	0.0000	<0.01	<0.01
$\Delta AnalystDispersion_{[1,30]}$	0.0023	0.0012	-0.0009	-0.0005	<0.01	<0.01
AnalystFcstError	-0.0327	-0.0118	-0.0041	0.0014	<0.01	<0.01
AbsAnalystFcstError	0.0417	0.0165	0.0128	0.0055	<0.01	<0.01
UpdateHorizon	199	201	193	195	0.43	0.39

Panel B: Full Sample Regressions

Dependent Variable:	Δ***AnalystForecast*** $_{[1,30]}$			Δ***AnalystDispersion*** $_{[1,30]}$			***AnalystFcstError***			***AbsAnalystFcstError***		
	(1)			(2)			(3)			(4)		
	Hyp.	Coef.	*t-stat*	Hyp.	Coef.	*t-stat*	Hyp.	Coef.	*t-stat*	Hyp.	Coef.	*t-stat*
Primary Variable												
Withdraw	**(-)**	-0.002	*-0.73*	**(+)**	0.004	*4.06* ***	**(-)**	-0.017	*-2.39* ***	**(+)**	0.015	*2.21* **
Control Variables												
BundledEA		0.012	*2.07* **		0.000	*0.32*						
BundledUnexpectEarn		1.285	*3.41* ***									
Abs(BundledUnexpectEarn)					-0.016	*-0.22*						
UpdateHorizon								0.000	*-1.22*		0.000	*1.01*
Intercept		-0.025	*-5.99* ***		-0.002	*-1.82* *		-0.004	*-0.39*		0.016	*1.37*
Weighting	*Entropy Balanced (3)*			*Entropy Balanced (3)*			*Entropy Balanced (3)*			*Entropy Balanced (3)*		
Adj. R-Square	*0.222*			*0.070*			*0.031*			*0.023*		
N	*1,920*			*1,920*			*1,927*			*1,927*		

Notes: This table provides details on the tests examining analyst responses to the withdrawing of a previously disclosed annual EPS forecast, after controlling for the decision to withdraw. Panels A and B use the full sample, while Panels C and D use a sub-sample of observations not bundled with earnings announcements. Panel A (Panel C) provides descriptive statistics and univariate tests across the withdrawal and non-withdrawal samples (*Withdraw*) in the full (unbundled) sample. Tests of differences are based on two-sided t-tests for means, Wilcoxon rank-sum tests for medians, and $\chi 2$ tests for binary variables. Panel B provides multivariate regressions of four analyst response dependent variables (the consensus change following the withdrawal, the change in dispersion following the withdrawal, the signed forecast error based on the post-withdrawal consensus forecast, and the absolute forecast error based on the post-withdrawal consensus forecast) on withdrawals, controls for the bundled earnings announcement information, and controls for the horizon of the forecast (for forecast errors only) for the full sample. Panel D provides similar regressions to Panel B for the unbundled sample, but it excludes the bundled earnings information controls because all observations are unbundled. We control for the choice to withdraw by entropy balancing our control sample to our treatment sample on the determinant variables included in Table 3. We entropy balance to the highest moment where convergence is obtainable (3^{rd} moment in Panel B, i.e., mean, variance, and skewness; 1^{st} moment in Panel D). We provide variable definitions in Appendix B. Regression standard errors are Huber/White robust estimators clustered by firm. *, **, ***: significant at 10%, 5%, 1% (one-sided for those with directional predictions, two-sided otherwise).

Table 5 (Continued)

Panel C: Univariate Statistics for Unbundled Observations

	Withdraw=1 (n= 49)		*Withdraw=0* (n= 257)		Test of Difference (p-values)	
	Mean	Median	Mean	Median	Mean	Median
$\Delta AnalystForecast_{[1,30]}$	-0.0289	-0.0165	-0.0132	-0.0085	<0.01	<0.01
$\Delta AnalystDispersion_{[1,30]}$	0.0030	0.0018	-0.0012	-0.0004	<0.01	<0.01
AnalystError	-0.0241	-0.0134	-0.0074	-0.0008	<0.01	<0.01
AbsAnalystError	0.0311	0.0175	0.0133	0.0057	<0.01	<0.01
UpdateHorizon	203	201	194	197	0.51	0.60

Panel D: Unbundled Sample Regressions

Dependent Variable:	$\Delta AnalystForecast_{[1,30]}$			$\Delta AnalystDispersion_{[1,30]}$			***AnalystFcstError***			***AbsAnalystFcstError***		
	(1)			(2)			(3)			(4)		
	Hyp.	Coef.	*t-stat*	Hyp.	Coef.	*t-stat*	Hyp.	Coef.	*t-stat*	Hyp.	Coef.	*t-stat*
Primary Variable												
Withdraw	**(-)**	-0.006	*-0.84*	**(+)**	0.007	*3.88* ***	**(-)**	-0.012	*-1.65* **	**(+)**	0.0144	*2.09* **
Control Variables												
Update Horizon								0.000	*-1.41*		0.0000	*0.89*
Intercept		-0.023	*-4.62* ***		-0.004	*3.10* ***		-0.001	*-0.11*		0.0104	*1.26*
Weighting	*Entropy Balanced (1)*			*Entropy Balanced (1)*			*Entropy Balanced (1)*			*Entropy Balanced (1)*		
Adj. R-Square	*0.004*			*0.136*			*0.035*			*0.041*		
N	*306*			*306*			*309*			*309*		

Notes: This table provides details on the tests examining analyst responses to the withdrawing of a previously disclosed annual EPS forecast, after controlling for the decision to withdraw. Panels A and B use the full sample, while Panels C and D use a sub-sample of observations not bundled with earnings announcements. Panel A (Panel C) provides descriptive statistics and univariate tests across the withdrawal and non-withdrawal samples (*Withdraw*) in the full (unbundled) sample. Tests of differences are based on two-sided t-tests for means, Wilcoxon rank-sum tests for medians, and $\chi 2$ tests for binary variables. Panel B provides multivariate regressions of four analyst response dependent variables (the consensus change following the withdrawal, the change in dispersion following the withdrawal, the signed forecast error based on the post-withdrawal consensus forecast, and the absolute forecast error based on the post-withdrawal consensus forecast) on withdrawals, controls for the bundled earnings announcement information, and controls for the horizon of the forecast (for forecast errors only) for the full sample. Panel D provides similar regressions to Panel B for the unbundled sample, but it excludes the bundled earnings information controls because all observations are unbundled. We control for the choice to withdraw by entropy balancing our control sample to our treatment sample on the determinant variables included in Table 3. We entropy balance to the highest moment where convergence is obtainable (3rd moment in Panel B, i.e., mean, variance, and skewness; 1st moment in Panel D). We provide variable definitions in Appendix B. Regression standard errors are Huber/White robust estimators clustered by firm. *, **, ***: significant at 10%, 5%, 1% (one-sided for those with directional predictions, two-sided otherwise).

Table 6
Determinants of the Decision to Unbundle Annual Guidance Revisions

Panel A: Univariate Statistics

	Unbundle=1 (n= 249)		*Unbundle=0* (n= 1,423)		Test of Difference (p-values)	
	Mean	Median	Mean	Median	Mean	Median
GoodNews_EarnSurp	0.349	0.000	0.596	1.000		<0.01
AbsEarnSurprise	0.009	0.005	0.006	0.004	<0.01	<0.01
Surprises_SameSign	0.775	1.000	0.850	1.000		<0.01
HiMedia	0.538	1.000	0.486	0.000		0.13
Δ*StdDevReturns*	0.002	0.002	0.001	0.001	0.15	0.25
Δ*AnalystDispersion*	-0.003	-0.002	-0.004	-0.002	<0.01	0.09
Synchronicity	0.115	0.109	0.147	0.139	0.66	0.68
GoodNews_RevSurp	0.246	0.000	0.536	1.000		<0.01
PriorLawsuit	0.032	0.000	0.030	0.000		0.82
AbsRevisionSurprise	0.015	0.010	0.012	0.008	<0.01	0.10
AbsMgmtRevision	0.023	0.016	0.018	0.012	<0.01	<0.01
*Abs(*Δ*AnalystForecast)*	0.009	0.005	0.006	0.003	<0.01	<0.01
AbsStockReturn	0.158	0.122	0.161	0.124	0.76	0.90
Unbundled_SameQPriorYr	0.237	0.000	0.136	0.000		<0.01
LnMVE	7.213	7.031	7.167	7.014	0.63	0.59
Market-to-Book	2.492	2.033	2.782	2.045	0.18	0.37
Beta	1.157	1.130	1.164	1.140	0.81	0.71
AnalystFollow	12.008	10.000	12.084	10.000	0.88	0.50

Notes: This table provides details on the tests examining the determinants of unbundling a guidance update from an earnings announcement. Panel A provides descriptive statistics and univariate tests across the unbundle and no-unbundle samples (*Unbundle*). Tests of differences are based on two-sided t-tests for means, Wilcoxon rank-sum tests for medians, and $\chi 2$ tests for binary variables. Panel B provides multivariate logistic regressions of the decision to unbundle the guidance update (*Unbundle*) on proxies for the ease of processing in isolation versus bundled with an EA, the opportunity to reach investors and align their expectations, and litigation risk and the strength of the incentives from the obligation to update, control variables, and time and industry fixed effects. We exclude withdrawal observations from this analysis. Industry fixed effects use 2-digit SIC codes and industries with no variation in *Unbundle* are excluded. We provide variable definitions in Appendix B. Regression marginal effects are calculated holding all other covariates at the sample mean. Regression standard errors are Huber/White robust estimators clustered by firm. P-Values are one-sided for those with directional predictions, two-sided otherwise. We report (1-p) values for coefficients that assume a sign opposite of the one predicted.

Table 6 (Continued)

Panel B: Logistic Regressions

Dependent Variable: Unbundle				
	Hyp. Sign	Margin	*p-value*	
Primary Variables				
GoodNews_EarnSurp	**(-)**	-0.0664	*0.00*	***
AbsEarnSurprise	**(+)**	5.9493	*0.00*	***
Surprises_SameSign	**(-)**	-0.0727	*0.00*	***
HiMedia	**(+)**	0.0330	*0.02*	**
ΔStdDevReturns	**(+)**	-0.1480	*0.56*	
ΔAnalystDispersion	**(+)**	4.8718	*0.00*	***
Synchronicity	**(-)**	-0.0066	*0.19*	
GoodNews_RevSurp	**(-)**	-0.0962	*0.00*	***
PriorLawsuit	**(+)**	0.0158	*0.35*	
AbsRevisionSurprise	**(+)**	-1.6790	*0.93*	
AbsMgmtRevision	**(+)**	-0.7319	*0.77*	
Abs(ΔAnalystForecast)	**(+)**	4.3789	*0.00*	***
AbsStockReturn	**(+)**	0.0046	*0.47*	
Control Variables				
Unbundled_SameQPriorYr	**(+)**	0.0845	*0.00*	***
LnMVE		0.0163	*0.08*	*
Market-to-Book		-0.0018	*0.49*	
Beta		-0.0016	*0.95*	
AnalystFollow		-0.0022	*0.16*	
Fixed Effects		*Year, Industry*		
Psuedo R-Square		*0.183*		
Area under ROC		*0.796*		
N		*1,579*		

Notes: This table provides details on the tests examining the determinants of unbundling a guidance update from an earnings announcement. Panel A provides descriptive statistics and univariate tests across the unbundle and no-unbundle samples (*Unbundle*). Tests of differences are based on two-sided t-tests for means, Wilcoxon rank-sum tests for medians, and $\chi 2$ tests for binary variables. Panel B provides multivariate logistic regressions of the decision to unbundle the guidance update (*Unbundle*) on proxies for the ease of processing in isolation versus bundled with an EA, the opportunity to reach investors and align their expectations, and litigation risk and the strength of the incentives from the obligation to update, control variables, and time and industry fixed effects. We exclude withdrawal observations from this analysis. Industry fixed effects use 2-digit SIC codes and industries with no variation in *Unbundle* are excluded. We provide variable definitions in Appendix B. Regression marginal effects are calculated holding all other covariates at the sample mean. Regression standard errors are Huber/White robust estimators clustered by firm. P-Values are one-sided for those with directional predictions, two-sided otherwise. We report (1-p) values for coefficients that assume a sign opposite of the one predicted.

Table 7
Market Consequences of Unbundling Annual Guidance Revisions

Panel A: Univariate Statistics for the Sample with Bundled Initial Forecasts

	Unbundle=1 (n=249)		*Unbundle=0* (n=1,423)		Test of Difference (p-values)	
	Mean	Median	Mean	Median	Mean	Median
AbnormalReturn [-1,+1]	-0.0532	-0.0303	-0.0034	0.0035	<0.01	<0.01
UnexpectRevision	-0.0114	-0.0061	-0.0034	0.0009	<0.01	<0.01
UnexpectRevision_RV	-0.0113	-0.0061	-0.0016	0.0003	<0.01	<0.01
BundledUnexpectEarn	0.0000	0.0000	0.0009	0.0015	0.11	<0.01
ΔAnalystForecast [1,30]	-0.0129	-0.0088	-0.0034	0.0016	<0.01	<0.01
AbsAnalystFcstError	0.0137	0.0056	0.0127	0.0054	0.61	0.42
UpdateHorizon	192	197	192	194	0.92	0.41
DaysBetRevisionAndEA	44	36	0	0	<0.01	<0.01

Panel B: Market Reaction to Unbundling

Dependent Variable:	***AbnormalReturn [-1,+1]***			***AbnormalReturn [-1,+1]***		
	(1)			(2)		
	Hyp.	Coef.	*t-stat*	Hyp.	Coef.	*t-stat*
Primary Variables						
Unbundle		-0.016	*-1.89* *		-0.004	*-0.51*
UnexpectRevision	**(+)**	2.450	*4.25* ***			
Unbundle x UnexpectRevision	**(+)**	-0.415	*-0.61*			
UnexpectRevision_RV				**(+)**	1.296	*2.19* **
Unbundle x UnexpectRevision_RV				**(+)**	0.823	*1.18*
Control Variables						
BundledUnexpectEarn	**(+)**	0.660	*0.83*	**(+)**	2.895	*4.05* ***
Intercept		-0.015	*-2.79* ***		-0.027	*-4.99* ***
Weighting	*Entropy Balanced (2)*			*Entropy Balanced (2)*		
Adj. R-Square	*0.199*			*0.171*		
N	*1,642*			*1,642*		

Notes: This table provides details on the tests examining the market consequences and analyst responses of unbundling a guidance update, after controlling for the decision to unbundle. Panel A provides descriptive statistics and univariate tests across the unbundle and no-unbundle samples (*Unbundle*). Tests of differences are based on two-sided t-tests for means, Wilcoxon rank-sum tests for medians, and $\chi 2$ tests for binary variables. Panel B provides multivariate regressions of the three-day abnormal returns on *Unbundle,* the unexpected revision to the annual EPS forecast, the interaction between *Unbundle* and the unexpected revision, and controls for the bundled earnings announcement information. Panel C provides multivariate regressions of the change in consensus analyst forecast following the guidance update on *Unbundle,* the unexpected revision to the annual EPS forecast, the interaction between *Unbundle* and the unexpected revision, and controls for the bundled earnings announcement information. Panel C also provides regressions of the absolute forecast error for the consensus analyst forecast after the guidance update on *Unbundle* and a control for the forecast horizon. In Panels B and C, we present both the traditional measure of unexpected revision and the Rogers and Van Buskirk (2013)-adjusted measure to account for how investors would adjust expectations for earnings news even in the absence of a management forecast. We control for the choice to unbundle by entropy balancing our control sample to our treatment sample on the determinant variables included in Table 6. We entropy balance to the highest moment where convergence is obtainable (2rd moment in this case, i.e., mean and variance). We provide variable definitions in Appendix B. We exclude withdrawal observations from these analyses. Regression standard errors are Huber/White robust estimators clustered by firm. *, **, ***: significant at 10%, 5%, 1% (one-sided for those with directional predictions, two-sided otherwise).

Table 7 (Continued)

Panel C: Analyst Response to Unbundling

Dependent Variable:	***ΔAnalystForecast*** $_{[1,30]}$			***ΔAnalystForecast*** $_{[1,30]}$			***AbsAnalystFcstError***		
	(1)			(2)			(3)		
	Hyp.	Coef.	*t-stat*	Hyp.	Coef.	*t-stat*	Hyp.	Coef.	*t-stat*
Primary Variables									
Unbundle		0.001	*1.04*		0.004	*6.35* ***	**(-)**	-0.004	*-1.60* *
UnexpectRevision	**(+)**	0.856	*19.69* ***						
Unbundle x UnexpectRevision	**(+)**	0.164	*3.37* ***						
UnexpectRevision_RV				**(+)**	0.622	*9.28* ***			
Unbundle x UnexpectRevision_RV				**(+)**	0.428	*5.97* ***			
Control Variables									
BundledUnexpectEarn	**(+)**	0.351	*3.42* ***	**(+)**	1.040	*10.60* ***			
UpdateHorizon								0.000	*1.38*
Intercept		-0.001	*-3.71* ***		-0.005	*-10.15* ***		0.013	*3.31* ***
Weighting	*Entropy Balanced (2)*			*Entropy Balanced (2)*			*Entropy Balanced (2)*		
Adj. R-Square	*0.905*			*0.861*			*0.005*		
N	*1,617*			*1,617*			*1,633*		

Notes: This table provides details on the tests examining the market consequences and analyst responses of unbundling a guidance update to a previously disclosed annual EPS forecast, after controlling for the decision to unbundle. Panel A provides descriptive statistics and univariate tests across the unbundle and no-unbundle samples (*Unbundle*). Tests of differences are based on two-sided t-tests for means, Wilcoxon rank-sum tests for medians, and $\chi 2$ tests for binary variables. Panel B provides multivariate regressions of the three-day abnormal returns on *Unbundle,* the unexpected revision to the annual EPS forecast, the interaction between *Unbundle* and the unexpected revision, and controls for the bundled earnings announcement information. Panel C provides multivariate regressions of the change in consensus analyst forecast following the guidance update on *Unbundle,* the unexpected revision to the annual EPS forecast, the interaction between *Unbundle* and the unexpected revision, and controls for the bundled earnings announcement information. Panel C also provides regressions of the absolute forecast error for the consensus analyst forecast after the guidance update on *Unbundle* and a control for the forecast horizon. In Panels B and C, we present both the traditional measure of unexpected revision and the Rogers and Van Buskirk (2013)-adjusted measure to account for how investors would adjust expectations for earnings news even in the absence of a management forecast. We control for the choice to unbundle by entropy balancing our control sample to our treatment sample on the determinant variables included in Table 6. We entropy balance to the highest moment where convergence is obtainable (2rd moment in this case, i.e., mean and variance). We provide variable definitions in Appendix B. We exclude withdrawal observations from these analyses. Regression standard errors are Huber/White robust estimators clustered by firm. *, **, ***: significant at 10%, 5%, 1% (one-sided for those with directional predictions, two-sided otherwise).

Table 8
Determinants of the Decision to Downplay or Emphasize Annual Guidance Revisions

Panel A: Univariate Statistics – Downplay versus No Change

	Downplay (n= 244)		*No Change* (n= 829)		Test of Difference (p-values)	
	Mean	Median	Mean	Median	Mean	Median
GoodNews_EarnSurp	0.504	1.000	0.632	1.000		<0.01
AbsEarnSurprise	0.004	0.003	0.005	0.004	<0.01	<0.01
Surprises_SameSign	0.701	1.000	0.788	1.000		<0.01
HiMedia	0.381	0.000	0.516	1.000		<0.01
Δ*StdDevReturns*	0.003	0.002	0.002	0.001	0.10	0.17
Δ*AnalystDispersion*	0.001	0.001	0.002	0.001	0.47	0.08
Synchronicity	0.082	0.141	0.050	0.136	0.69	0.83
GoodNews_RevSurp	0.383	0.000	0.547	1.000		<0.01
PriorLawsuit	0.020	0.000	0.025	0.000		0.67
AbsRevisionSurprise	0.009	0.006	0.010	0.006	0.57	0.34
AbsMgmtRevision	0.018	0.012	0.018	0.012	0.89	0.29
Abs(ΔAnalystForecast)	0.008	0.004	0.008	0.005	0.51	0.39
AbsStockReturn	0.167	0.121	0.164	0.131	0.76	0.39
LnMVE	7.056	6.964	7.138	6.992	0.41	0.62
Market-to-Book	2.765	2.113	2.947	2.012	0.46	0.79
Beta	1.160	1.145	1.169	1.150	0.76	0.84
AnalystFollow	11.467	9.000	11.970	10.000	0.35	0.34

Panel B: Univariate Statistics – Emphasize versus No Change

	Emphasize (n= 350)		*No Change* (n= 829)		Test of Difference (p-values)	
	Mean	Median	Mean	Median	Mean	Median
GoodNews_EarnSurp	0.711	1.000	0.632	1.000		<0.01
AbsEarnSurprise	0.005	0.004	0.005	0.004	0.56	0.69
Surprises_SameSign	0.783	1.000	0.788	1.000		0.85
HiMedia	0.543	1.000	0.516	1.000		0.40
Δ*StdDevReturns*	0.002	0.002	0.002	0.001	0.94	0.65
Δ*AnalystDispersion*	0.001	0.001	0.002	0.001	0.22	0.23
Synchronicity	0.026	0.028	0.050	0.136	0.74	0.51
GoodNews_RevSurp	0.643	1.000	0.547	1.000		<0.01
PriorLawsuit	0.046	0.000	0.025	0.000		0.07
AbsRevisionSurprise	0.010	0.007	0.010	0.006	0.77	0.51
AbsMgmtRevision	0.016	0.012	0.018	0.012	0.13	0.33
Abs(ΔAnalystForecast)	0.007	0.004	0.008	0.005	0.09	0.07
AbsStockReturn	0.165	0.130	0.164	0.131	0.94	0.74
LnMVE	7.315	7.094	7.138	6.992	0.05	0.09
Market-to-Book	2.621	2.095	2.947	2.012	0.11	0.81
Beta	1.154	1.135	1.169	1.150	0.55	0.56
AnalystFollow	12.786	11.000	11.970	10.000	0.09	0.20

Table 8 (Continued)

Panel C: Multinomial Regressions (Full Sample)

Dependent Variable: Change in Emphasis (Downplay / Emphasize)						
	Hyp.	Downplay		*Hyp.*	Emphasize	
	Sign	Margin	*p-value*	*Sign*	Margin	*p-value*
Primary Variables						
GoodNews_EarnSurp	**(-/+)**	-0.0289	*0.32*	**(-/+)**	0.0455	*0.25*
AbsEarnSurprise	**(-/+)**	-1.8769	*0.25*	**(-/+)**	-1.2692	*0.54*
Surprises_SameSign	**(-/+)**	-0.0235	*0.21*	**(-/+)**	-0.0218	*0.39*
HiMedia	**(-)**	-0.0659	*0.00* ***	**(+)**	0.0478	*0.13*
ΔStdDevReturns	**(-/+)**	0.2789	*0.30*	**(-/+)**	0.6848	*0.75*
ΔAnalystDispersion	**(-/+)**	-2.1001	*0.82*	**(-/+)**	-2.9663	*0.18*
Synchronicity	**(-/+)**	0.0117	*0.14*	**(-/+)**	-0.0014	*0.55*
GoodNews_RevSurp	**(-)**	-0.0590	*0.02* **	**(+)**	0.0930	*0.01* ***
PriorLawsuit	**(-)**	-0.0520	*0.23*	**(+)**	0.1529	*0.04* **
AbsRevisionSurprise	**(-)**	-0.1969	*0.61*	**(+)**	4.2395	*0.02* **
AbsMgmtRevision	**(-)**	-0.3117	*0.30*	**(+)**	-2.0959	*0.89*
Abs(ΔAnalystForecast)	**(-)**	1.3496	*0.82*	**(+)**	-1.4900	*0.73*
AbsStockReturn	**(-)**	0.0420	*0.78*	**(+)**	0.0138	*0.39*
Control Variables						
LnMVE		0.0078	*0.41*		0.0019	*0.80*
Market-to-Book		-0.0018	*0.25*		-0.0105	*0.01* ***
Beta		-0.0139	*0.47*		-0.0143	*0.64*
AnalystFollow		-0.0001	*0.97*		0.0011	*0.67*
Fixed Effects			*Year, Industry*			
Psuedo R-Square			*0.091*			
N			*1,368*			

Notes: This table provides details on the tests examining the determinants of changes in emphasis on the guidance update information (to a previously disclosed annual EPS forecast) relative to the other news in a bundled earnings announcement. Panel A (Panel B) provides descriptive statistics and univariate tests across the downplay (emphasis) and no-change samples. Tests of differences are based on two-sided t-tests for means, Wilcoxon rank-sum tests for medians, and $\chi 2$ tests for binary variables. Panels C and D provide multinomial logistic regressions of the decision to downplay or emphasize the guidance update, relative to the no change base group. The multinomial logistic regressions in Panel C include proxies for the ease of processing based on characteristics of the earnings surprise, the opportunity to reach investors and align their expectations, and litigation risk and the obligation to update, control variables, and time and industry fixed effects. Panel D also includes proxies for the value-relevance of earnings information, the volatility of earnings, and the extent of insider activity. We exclude observations that contained forecast withdrawals and observations with an unbundled first forecast or guidance update (i.e., all observations have a first forecast and a guidance update that are bundled with an EA). Industry fixed effects use 2-digit SIC codes and industries with no variation in downplay or emphasis are excluded. We provide variable definitions in Appendix B. Regression marginal effects are calculated holding all other covariates at the sample mean. Regression standard errors are Huber/White robust estimators clustered by firm. P-Values are one-sided for those with directional predictions, two-sided otherwise. We report (1-p) values for coefficients that assume a sign opposite of the one predicted.

Table 8 (Continued)

Panel D: Multinomial Regressions (Data Restrictions)

Dependent Variable: Change in Emphasis (Downplay / Emphasize)							
	Hyp.	Downplay			*Hyp.*	Emphasize		
	Sign	Margin	*p-value*		*Sign*	Margin	*p-value*	
Primary Variables								
GoodNews_EarnSurp	**(-/+)**	-0.0089	*0.84*		**(-/+)**	0.0691	*0.12*	
AbsEarnSurprise	**(-/+)**	-2.3158	*0.20*		**(-/+)**	2.7717	*0.62*	
Surprises_SameSign	**(-/+)**	0.0082	*0.53*		**(-/+)**	0.0128	*0.73*	
HiMedia	**(-)**	-0.0363	*0.01*	***	**(+)**	0.0420	*0.19*	
ΔStdDevReturns	**(-/+)**	0.5047	*0.23*		**(-/+)**	0.8359	*0.52*	
ΔAnalystDispersion	**(-/+)**	1.8683	*0.51*		**(-/+)**	-4.2400	*0.53*	
Synchronicity	**(-/+)**	0.0079	*0.19*		**(-/+)**	-0.0028	*0.97*	
GoodNews_RevSurp	**(-)**	-0.0452	*0.01*	***	**(+)**	0.0767	*0.09*	*
PriorLawsuit	**(-)**	-0.0344	*0.14*		**(+)**	0.0708	*0.26*	
AbsRevisionSurprise	**(-)**	0.7858	*0.81*		**(+)**	3.7989	*0.92*	
AbsMgmtRevision	**(-)**	-0.6829	*0.21*		**(+)**	-1.7019	*0.76*	
Abs(ΔAnalystForecast)	**(-)**	0.9129	*0.79*	***	**(+)**	-1.4258	*0.67*	
AbsStockReturn	**(-)**	0.0454	*0.88*		**(+)**	0.0742	*0.25*	
StdEPS	**(+)**	0.0102	*0.50*		**(-)**	-0.1243	*0.06*	*
ERC	**(-)**	-0.0050	*0.24*		**(+)**	-0.0020	*0.56*	
InsideOwnership	**(-)**	-0.0243	*0.18*		**(-)**	-0.8606	*0.00*	***
InsideTrades	**(-)**	-17.0315	*0.03*	**	**(-)**	-24.8052	*0.08*	*
Control Variables								
LnMVE		0.0111	*0.15*			-0.0130	*0.65*	
Market-to-Book		-0.0017	*0.21*			-0.0094	*0.07*	*
Beta		0.0035	*0.80*			0.0177	*0.76*	
AnalystFollow		-0.0007	*0.74*			0.0042	*0.21*	
Fixed Effects			*Year, Industry*					
Psuedo R-Square			*0.112*					
N			*955*					

Notes: This table provides details on the tests examining the determinants of changes in emphasis on the guidance update information (to a previously disclosed annual EPS forecast) relative to the other news in a bundled earnings announcement. Panel A (Panel B) provides descriptive statistics and univariate tests across the downplay (emphasis) and no-change samples. Tests of differences are based on two-sided t-tests for means, Wilcoxon rank-sum tests for medians, and $\chi 2$ tests for binary variables. Panels C and D provide multinomial logistic regressions of the decision to downplay or emphasize the guidance update, relative to the no change base group. The multinomial logistic regressions in Panel C include proxies for the ease of processing based on characteristics of the earnings surprise, the opportunity to reach investors and align their expectations, and litigation risk and the obligation to update, control variables, and time and industry fixed effects. Panel D also includes proxies for the value-relevance of earnings information, the volatility of earnings, and the extent of insider activity. We exclude observations that contained forecast withdrawals and observations with an unbundled first forecast or guidance update (i.e., all observations have a first forecast and a guidance update that are bundled with an EA). Industry fixed effects use 2-digit SIC codes and industries with no variation in downplay or emphasis are excluded. We provide variable definitions in Appendix B. Regression marginal effects are calculated holding all other covariates at the sample mean. Regression standard errors are Huber/White robust estimators clustered by firm. P-Values are one-sided for those with directional predictions, two-sided otherwise. We report (1-p) values for coefficients that assume a sign opposite of the one predicted.

Table 9
Market Consequences of Downplaying or Emphasizing Annual Guidance Revisions

Panel A: Univariate Statistics – Downplay versus No Change

	Downplay (n=244)		*No Change* (n=829)		Test of Difference (p-values)	
	Mean	Median	Mean	Median	Mean	Median
AbnormalReturn $_{[-1,+1]}$	-0.0290	-0.0137	-0.0039	0.0035	<0.01	<0.01
UnexpectRevision	-0.0064	-0.0031	-0.0035	0.0010	0.03	<0.01
UnexpectRevision_RV	-0.0030	-0.0006	-0.0015	0.0003	0.20	0.34
BundledUnexpectEarn	-0.0005	0.0001	0.0008	0.0016	0.04	<0.01

Panel B: Market Consequences for Downplay

Dependent Variable:	***AbnormalReturn*** $_{[-1,+1]}$			***AbnormalReturn*** $_{[-1,+1]}$		
	(1)			(2)		
	Hyp.	Coef.	*t-stat*	Hyp.	Coef.	*t-stat*
Primary Variables						
Downplay		0.001	*0.09*		-0.002	*-0.09*
UnexpectRevision	(+)	2.020	*4.22* ***			
Downplay x UnexpectRevision	(-)	0.235	*0.30*			
UnexpectRevision_RV				(+)	1.290	*2.89* ***
Downplay x UnexpectRevision_RV				(-)	-0.121	*-0.16*
Control Variables						
BundledUnexpectEarn	(+)	2.193	*2.59* ***	(+)	4.292	*5.48* ***
Intercept		-0.015	*-2.97* ***		-0.022	*-4.81* ***
Weighting		*Entropy Balanced (2)*			*Entropy Balanced (2)*	
Adj. R-Square		*0.224*			*0.174*	
N		*1,063*			*1,063*	

Notes: This table provides details on the tests examining the market consequences of changing the amount of emphasis placed on the earnings guidance update, relative to other bundled news in the earnings announcement, after controlling for the decision to downplay or emphasize the earnings guidance information. Panel A (Panel C) provides descriptive statistics and univariate tests across the downplay (emphasis) and no-change samples. Downplay (emphasis) is a decrease (increase) in emphasis from the first forecast to the guidance update. Tests of differences are based on two-sided t-tests for means, Wilcoxon rank-sum tests for medians, and $\chi 2$ tests for binary variables. Panel B (Panel D) provides multivariate regressions of the three-day abnormal returns on *Downplay (Emphasis),* the unexpected revision to the annual EPS forecast, the interaction between *Downplay (Emphasis)* and the unexpected revision, and controls for the bundled earnings announcement information. In Panels B and D, we present both the traditional measure of unexpected revision and the Rogers and Van Buskirk (2013)-adjusted measure to account for how investors would adjust expectations for earnings news even in the absence of a management forecast. We control for the choice to downplay (emphasize) the guidance update by entropy balancing our control sample to our treatment sample on the determinant variables included in Table 8. We entropy balance to the highest moment where convergence is obtainable (2rd moment in this case, i.e., mean and variance). We provide variable definitions in Appendix B. We exclude observations that contained forecast withdrawals and observations with an unbundled first forecast or guidance update (i.e., all observations have a first forecast and a guidance update that are bundled with an EA). Regression standard errors are Huber/White robust estimators clustered by firm. *, **, ***: significant at 10%, 5%, 1% (one-sided for those with directional predictions, two-sided otherwise).

Table 9 (Continued)

Panel C: Univariate Statistics – Emphasize versus No Change

	Emphasize (n=350)		*No Change* (n=829)		Test of Difference (p-values)	
	Mean	Median	Mean	Median	Mean	Median
AbnormalReturn $_{[-1,+1]}$	0.0165	0.0167	-0.0039	0.0035	<0.01	<0.01
UnexpectRevision	-0.0008	0.0026	-0.0035	0.0010	0.02	<0.01
UnexpectRevision_RV	-0.0004	0.0008	-0.0015	0.0003	0.27	0.15
BundledUnexpectEarn	0.0020	0.0024	0.0008	0.0016	0.05	<0.01

Panel D: Market Consequences for Emphasis

Dependent Variable:	***AbnormalReturn*** $_{[-1,+1]}$			***AbnormalReturn*** $_{[-1,+1]}$		
	(1)			(2)		
	Hyp.	Coef.	*t-stat*	Hyp.	Coef.	*t-stat*
Primary Variables						
Emphasize		0.010	*1.54*		0.011	*1.68* *
UnexpectRevision	**(+)**	2.378	*6.10* ***			
Emphasize x UnexpectRevision	**(+)**	0.213	*0.37*			
UnexpectRevision_RV				**(+)**	1.530	*3.74* ***
Emphasize x UnexpectRevision_RV				**(+)**	0.558	*0.94*
Control Variables						
BundledUnexpectEarn	**(+)**	2.314	*3.42* ***	**(+)**	4.530	*8.37* ***
Intercept		0.004	*0.84*		-0.003	*-0.62*
Weighting	*Entropy Balanced (3)*			*Entropy Balanced (3)*		
Adj. R-Square	*0.269*			*0.230*		
N	*1,170*			*1,170*		

Notes: This table provides details on the tests examining the market consequences of changing the amount of emphasis placed on the earnings guidance update, relative to other bundled news in the earnings announcement, after controlling for the decision to downplay or emphasize the earnings guidance information. Panel A (Panel C) provides descriptive statistics and univariate tests across the downplay (emphasis) and no-change samples. Downplay (emphasis) is a decrease (increase) in emphasis from the first forecast to the guidance update. Tests of differences are based on two-sided t-tests for means, Wilcoxon rank-sum tests for medians, and $\chi 2$ tests for binary variables. Panel B (Panel D) provides multivariate regressions of the three-day abnormal returns on *Downplay (Emphasis),* the unexpected revision to the annual EPS forecast, the interaction between *Downplay (Emphasis)* and the unexpected revision, and controls for the bundled earnings announcement information. In Panels B and D, we present both the traditional measure of unexpected revision and the Rogers and Van Buskirk (2013)-adjusted measure to account for how investors would adjust expectations for earnings news even in the absence of a management forecast. We control for the choice to downplay (emphasize) the guidance update by entropy balancing our control sample to our treatment sample on the determinant variables included in Table 8. We entropy balance to the highest moment where convergence is obtainable (2^{rd} moment in this case, i.e., mean and variance). We provide variable definitions in Appendix B. We exclude observations that contained forecast withdrawals and observations with an unbundled first forecast or guidance update (i.e., all observations have a first forecast and a guidance update that are bundled with an EA). Regression standard errors are Huber/White robust estimators clustered by firm. *, **, ***: significant at 10%, 5%, 1% (one-sided for those with directional predictions, two-sided otherwise).