Do Firms Get "Stuck" Issuing Quarterly Earnings Guidance?

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Abstract

We examine how market penalties for reducing voluntary disclosure affect firms' decisions to discontinue quarterly earnings guidance. Theory suggests that historical disclosure patterns shape investors' expectations for ongoing disclosure, which make it costly for managers to withhold voluntary disclosures. We exploit the COVID-19 pandemic as a natural experiment where market penalties for withdrawing guidance were temporarily suspended. We find that a significant number of firms did not restart guidance when the uncertainty around the pandemic resolved. Further, the firms that did not restart issuing guidance exhibited pre-pandemic characteristics associated with lower benefits and higher costs of issuing guidance, including more frequent earnings misses and higher earnings-based investor fixation. In addition, while prior literature documents negative firm performance following guidance cessation, firms that stopped guidance following the pandemic generated positive abnormal returns, suggesting they were strong performers previously deterred from stopping guidance by anticipated market penalties. Our findings suggest that market penalties create a form of reluctant or "involuntary" voluntary disclosure, where firms continue issuing quarterly guidance because of the penalty often associated with stopping.

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1. Introduction

Despite persistent calls from academics and business leaders to reduce forward-looking guidance due to concerns about managerial short-termism (Fuller and Jensen, 2002; Jensen et al., 2004; Dimon and Buffett, 2018), many public firms continue to issue quarterly earnings guidance. Theory suggests that voluntary disclosure creates an implicit commitment, as firms reveal their capacity to acquire and credibly communicate information (Einhorn and Ziv, 2008). This intertemporal dependency increases the cost of guidance cessation because market participants interpret discontinuation as a signal that the firm is withholding negative information. Consistent with this view, prior research documents significant stock price declines when firms stop issuing guidance (Houston et al., 2010; Chen et al., 2011). For instance, when Apple Inc. discontinued iPhone unit sales guidance in 2018, their stock price dropped 7%, with one analyst noting that "an abrupt loss of disclosure suggests weakness beyond one quarter" (Kim, 2018).

We investigate whether the market penalties associated with stopping earnings guidance discourage firms from discontinuing this disclosure practice. The primary empirical challenge in identifying barriers that discourage guidance discontinuation is the unobservable nature of factors driving guidance decisions, making it difficult to distinguish firms potentially constrained by market penalties from those providing guidance as their optimal disclosure choice. The COVID-19 pandemic provides a unique setting to address this identification challenge. In early 2020, heightened macroeconomic uncertainty created conditions where investors did not interpret guidance withdrawals as a negative signal about future performance. Many firms withdrew their quarterly earnings guidance without experiencing stock price declines (Hope et al., 2022), offering

a natural experiment to examine how firms adjust their guidance policies when market penalties for cessation are temporarily suspended. [1]

Our identification strategy examines the firms that suspended guidance during the pandemic to assess whether they resumed disclosure after the economic uncertainty subsided. We expect the firms that were issuing guidance because the net benefits of disclosure were positive to resume guidance following the resolution of pandemic-related uncertainty. Alternatively, if the net benefits of disclosure become negative once the market penalty for stopping guidance are suspended, we expect such firms to discontinue their guidance policy even after pandemic-related uncertainty resolved. The COVID-19 pandemic provides a natural setting that allows us to isolate the role of market penalties in firms' guidance practices.

We construct our sample from firms that regularly provided quarterly guidance before the pandemic and suspended guidance issuance during its onset. Specifically, we identify 180 firms that issued quarterly earnings guidance in at least five of the eight quarters in 2018 and 2019 and that provided guidance in either Q4 2019 or Q1 2020, but did not issue a quarterly earnings forecast in either Q2 or Q3 of 2020 (and remained listed through Q4 of 2021). Of the 180 firms that regularly issued guidance prior to the pandemic and suspended guidance at the onset of the pandemic, 110 resumed guidance by the end of 2021, while 70 more indefinitely discontinued the practice.[2] This discontinuation rate represents more than a threefold increase compared to the baseline rate of guidance cessation from any quarter in 2010-2019.

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[1] These guidance withdrawals received widespread attention in the financial press. For example, see https://www.wsj.com/articles/coronavirus-erases-guidance-from-40-of-s-p-500-11593363659

[2] We require firms to stop issuing guidance for at least five quarters to be labeled as stopping earnings guidance. This requirement is arguably more conservative than prior research examining guidance stoppers, which typically requires only four consecutive non-guidance quarters after having guided quarterly earnings for three out of four prior quarters (Houston et al., 2010; Chen et al., 2011; Kim et al., 2017).

We predict that firms previously constrained by market penalties exploited the pandemic to stop issuing quarterly guidance. To test this conjecture, we argue that such firms should exhibit characteristics associated with lower net benefits from issuing guidance in the pre-pandemic period. Specifically, among firms that suspended guidance during the pandemic, we expect those that did not resume guidance to have exhibited three characteristics prior to the pandemic: (i) lower success in meeting or beating analysts' earnings expectations (e.g., Matsumoto, 2002; Cotter et al., 2006; Koh et al., 2008; Feng and Koch, 2010; Christensen, et al., 2011), (ii) lower accuracy in meeting their own guidance targets (e.g., Graham et al., 2005; Feng and Koch, 2010), and (iii) greater investor fixation on quarterly earnings (e.g., Bushee, 2001; Kim et al., 2017; Call et al., 2024).

Our analyses support the prediction that firms with lower pre-pandemic benefits from guidance were more likely to discontinue guidance. Among the 180 firms that suspended guidance in spring 2020, the 70 firms that stopped guidance exhibited lower success in meeting or beating analyst expectations, a primary anticipated benefit of guidance (Call et al. 2024). These firms also experienced greater investor fixation on quarterly earnings before the pandemic, measured by abnormal trading volume around earnings announcements—a key managerial concern regarding quarterly guidance (Call et al., 2024). However, we find no difference in pre-pandemic guidance accuracy between firms that stopped versus those that only temporarily paused guidance. Importantly, our results are robust to controls for firm-level exposure to COVID-19 (Hope et al. 2022), although these variables are not significant in explaining whether firms resumed guidance, which suggests the impact of the pandemic itself does not explain the decision to resume guidance.

We explore further by examining analysts' responsiveness to management forecasts, given that expectation management can be a primary benefit of guidance (Jennings 1987; Cotter et al.,

2006). In the pre-pandemic period, analyst forecast revisions exhibited weaker responses to earnings guidance from firms that ultimately stopped issuing guidance, relative to firms that only temporarily paused issuing guidance. This evidence suggests that firms choosing to discontinue guidance during the pandemic had enjoyed fewer benefits from their disclosure practices. Collectively, these findings indicate that firms exploited the opportunity created by the COVID-19 pandemic—when market penalties were temporarily suspended and when guidance cessation was less likely to signal negative future performance—to discontinue the practice of issuing quarterly earnings guidance.

We next analyze post-cessation stock returns, comparing firms that stopped guidance during the pandemic to those that stopped issuing guidance in the decade prior to the pandemic (2010-2019). Disclosure theory suggests managers disclose (withhold) good (bad) news (Verrecchia, 1983; Dye, 1985; Jung and Kwon, 1988), and prior research documents that private information about poor future performance drives decisions to discontinue guidance practices (e.g., Houston et al., 2010; Chen et al., 2011). Consistent with these incentives, Chen et al. (2011) find negative abnormal returns in the year following guidance cessation, consistent with managers withholding guidance in an effort to delay revealing negative information. Importantly, these studies examine firms that stopped guidance *in spite of* potential market penalties. However, if the firms that stopped issuing quarterly earnings guidance after the pandemic were high-performing firms that exploited the pandemic to stop issuing guidance without any market penalties—rather than withholding guidance due to negative private information—they should not exhibit subsequent market underperformance. Consistent with this prediction, firms that stopped guidance during the pandemic generated significantly *positive* abnormal returns over the subsequent 6-and

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12-month periods, contrasting with the negative returns of firms that stopped guidance between 2010 and 2019.

Our findings yield three main insights. First, we document that an unusually high proportion of firms discontinued the practice of issuing quarterly earnings guidance during the pandemic, with the number of firms stopping guidance more than triple the typical annual rate since 2010. Second, firms that stopped guidance exhibited higher costs and lower benefits from guidance activities in the pre-pandemic period. Third, unlike typical guidance stoppers, these firms generated positive subsequent stock return performance. Together, these results suggest the market penalties typically associated with the decision to stop issuing quarterly earnings guidance discourage firms from discontinuing this voluntary disclosure practice, with firms appearing to reluctantly issue guidance to avoid the negative market reaction to cessation.

A natural follow-up question is whether guidance cessation during the pandemic generated other changes in the information environment of these firms. We examine this issue and find reduced investor fixation on earnings among firms that stopped issuing guidance, compared to both their pre-pandemic levels and to other firms that did not stop issuing guidance during the pandemic. This reduction in earnings fixation suggests tangible benefits from guidance cessation.

Our study advances the voluntary disclosure literature in several ways. Theory suggests that voluntary disclosure creates implicit commitments, such that investors interpret guidance cessation as a signal of negative private information (Verrecchia, 1983; Einhorn and Ziv, 2008). While prior work argues that firms remain reluctant to stop guidance due to anticipated market penalties (Karageorgiu et al., 2014), empirical identification of this effect has proven challenging. The COVID-19 pandemic provides a unique setting to examine how firms adjust disclosure when market penalties are temporarily suspended. Our evidence indicates that some firms seemingly

issue guidance reluctantly, due to the perceived absence of viable exit opportunities, similar to the commitment to continue issuing a dividend. These findings highlight how past disclosure choices can create binding constraints on firms' future disclosure flexibility.

Our analysis also extends research on COVID-19's impact on financial reporting and disclosure practices (e.g., deHaan, de Kok, Matsumoto, and Rodrigo-Vazquez, 2023). While Hope et al. (2022) document widespread guidance withdrawals at the onset of the pandemic, we show substantial heterogeneity in firms' subsequent disclosure choices. Among firms suspending quarterly earnings guidance in spring of 2020, nearly 40% discontinued the practice and did not restart this guidance practice. These results suggest the pandemic provided firms an opportunity to adjust their disclosure policies, particularly benefiting those seeking to step away from their quarterly earnings guidance activity.

2. Background and Related Theory

2.1 The Evolution of Quarterly Earnings Guidance

During the 1970s, the Securities and Exchange Commission began promoting financial forecast disclosures by public companies (Till, 1980). Despite the Commission's efforts in the 1970s and 1980s, including the adoption of Safe Harbor rules in 1979, publicly issued earnings guidance remained infrequent. However, the passage of the Private Securities Litigation Reform Act of 1995 spurred growth in the practice of providing earnings guidance increased, and the enactment of Regulation Fair Disclosure in 2000 furthered the upward trend. Several studies document the substantial increase in the issuance of annual and quarterly earnings guidance in the late 1990s and the early 2000s (e.g., Heflin et al., 2003; Bailey et al., 2003; Hsieh et al., 2006; Anilowski et al., 2007; Wang, 2007).

This rapid increase in earnings guidance was met with pushback by a number of prominent investors and academics (e.g., Warren Buffett and Michael Jensen), as well as from institutions including McKinsey & Company (e.g., Hsieh et al., 2006; Koller et al., 2021), the Business Roundtable, and the CFA Institute (Orsagh et al., 2020). The primary opposition to earnings guidance focused on quarterly forecasts and the claim that quarterly guidance contributed to managerial myopia or short-termism. Opponents to quarterly guidance argued (and still argue) that (1) providing quarterly guidance heightens analysts' and investors' focus on near-term firm performance, and (2) managers concerned about stock market penalties for missing the quarterly earnings target make operating and investing decisions that enable them to meet or beat the earnings target but reduce the long-term value of the firm. This myopia-based argument against quarterly guidance is supported by survey evidence in Graham et al. (2005) suggesting that to meet an earnings benchmark, managers are not only willing to decrease discretionary spending on R&D, advertising, and maintenance, but also delay starting new projects, even if delays result in declines in the long-term economic value of the company. The argument is also consistent with research that finds, for example, firms cutting discretionary expenses to meet quarterly earnings benchmarks have lower long-term stock returns (e.g., Bhojraj et al., 2009). Firms that stop quarterly guidance tend to have more long-term institutional investors placing greater weight on long-term earnings (Kim et al., 2017).

As shown in Lu and Skinner (2023), the trends in issuing quarterly and annual guidance peaked and turned downwards in 2001 and 2004, respectively, flattening out around 2010. A 2017 article on the pros and cons of issuing quarterly guidance noted, "The war on issuing quarterly quantitative guidance has been ongoing for at least 10 years…" and renewed calls for quarterly guidance to stop have been made by many, including FCLT Global (2017), Jamie Dimon and

Warren Buffett (see their 2018 article) and the CFA Institute (2020).[3] However, a substantial number of firms continue to issue quarterly earnings guidance.

2.2 Continuing Guidance to Avoid Sending a Negative Signal

The decision to issue quarterly earnings guidance depends on the costs and benefits of providing guidance. Managers and other practitioners argue the benefits of providing earnings guidance include improving analysts' forecasts and reducing the likelihood of large earnings surprises and stock price volatility (e.g., Ajinkya and Gift, 1984; Hsieh et al., 2006; Billings et al., 2015). As discussed by Cotter et al. (2006), guidance helps firms avoid missing earnings expectations by "leading analysts toward achievable earnings targets." Other benefits include enhanced reputation of managers who provide accurate forecasts (Trueman, 1986), increased firm visibility (Hsieh et al., 2006), and reductions in information asymmetry and the cost of capital (Frankel et al., 1995; Houston et al., 2010).

In addition to myopia, there are several potential costs of issuing quarterly guidance. Survey evidence suggests that demands on managers' and other employees' time are a significant cost of providing quarterly guidance (Hsieh et al., 2006): formulating, disseminating, and discussing quarterly forecasts divert managers' attention away from other value-enhancing activities. When firms begin providing guidance, especially guidance that is bundled with earnings announcements, investors start to expect guidance at every earnings announcement (Call et al., 2024). Karageorgiou et al. (2014) argue that despite the costs of issuing quarterly guidance, "many firms feel tethered to the practice, worried that abandoning the practice might send a negative signal to the market."

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[3] See https://www.fcltglobal.org/wp-content/uploads/Making-the-Case-for-the-Long-Term.pdf and
https://www.cfainstitute.org/-/media/documents/article/position-paper/CFA-SHORT-TERMISM_Web.pdf.

We add to the discussion on the practice of issuing quarterly earnings guidance by seeking to provide evidence on this claim. That is, we consider whether the concern that stopping guidance sends a negative signal to the market about future firm performance keeps firms issuing guidance when they would otherwise stop the practice. The intuition that stopping guidance could be penalized by the market is straightforward. Because of the incentives to withhold, delay, or conceal bad news (e.g., Kothari et al., 2009), it is reasonable for investors to interpret the discontinuation of earnings guidance as a signal that the manager anticipates poor future performance.

These arguments are consistent with Einhorn and Ziv's (2008) analysis of intertemporal dynamics in voluntary disclosure. Their model demonstrates that past disclosure choices create implicit commitments that shape future disclosure decisions. Specifically, by voluntarily disclosing private information, firms reveal their capacity to acquire and credibly communicate information, leading investors to rationally anticipate similar disclosures in the future. Thus, when firms subsequently withhold disclosure, investors interpret this action as a signal of negative private information. The COVID-19 pandemic provides a unique setting to examine this issue because the decision to withhold guidance—breaking the commitment to disclose—was not viewed as a negative signal about firm performance and, therefore, temporarily suspended the market penalty typically associated with reducing disclosure.

One might argue that firms that have favorable future prospects should not be deterred by temporary market penalties from stopping guidance, as their true performance would eventually be revealed. However, prior theoretical work demonstrates why even temporary price declines can constrain managers' decisions. Stein (1988) shows that concerns about takeover risk during periods of temporary undervaluation can trap managers into myopic behavior. Narayanan (1985) demonstrates that compensation and reputation concerns create similar pressures, while

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Pukthuanthong et al., (2017) highlight increased litigation risk during periods of price decline. Empirically, Bushee (1998) and Graham et al. (2005) document that managers are willing to alter their operating, investing, and reporting decisions to avoid temporary stock price drops. These findings suggest that even firms anticipating strong future performance may maintain suboptimal disclosure practices to avoid the short-term consequences of stopping guidance.

3. Research Setting and Predictions

3.1 COVID-19 and the Suspension of Earning Guidance

We use the widespread suspension of earnings guidance at the onset of the COVID-19 pandemic as a setting to investigate whether firms continue to provide quarterly earnings guidance out of concern for the short-run consequences of stopping. On June 28, 2020, *The Wall Street Journal* reported that over 40% of S&P 500 companies had pulled their guidance, citing pandemic-induced uncertainty as the primary cause. Several academic studies including Aaron et al. (2021) and Hope et al. (2022) document the large number of guidance withdrawals and examine the determinants and consequences of withdrawal. Both studies find that the decision to withdraw guidance was primarily driven by economic uncertainty resulting from the pandemic as opposed to poor firm performance – the primary driver of guidance cessation documented in prior studies (e.g., Chen et al., 2011). Aaron et al. (2021) and Hope et al. (2022) also document the absence of a negative market reaction to guidance withdrawals, suggesting that investors did not attribute the suspension of guidance to private information about bad news, but rather to the heightened economic uncertainty caused by the pandemic.

3.2 Predictions

The large number of firms suspending earnings guidance due to pandemic-related uncertainty created an opportunity for firms desiring to exit the guidance game to do so without

sending a negative signal to the market. As more and more firms suspended guidance in the early spring of 2020, those that had a desire to stop guidance but had refrained from doing so suddenly had an opportunity to stop issuing guidance without being mischaracterized as having bad news about the firm's future prospects. If, prior to the pandemic, there were firms desiring to stop guidance but unwilling to do so out of concern for the short-term consequences of stopping, then we expect that an abnormally large number of the firms that suspended guidance at the onset of the pandemic did not resume guidance after the pandemic-related uncertainty subsided (i.e., stopped issuing guidance as opposed to temporarily pausing guidance). Thus, we present our first prediction as the following:

> **P1**: *An abnormally large number of firms stopped issuing quarterly earnings guidance during the COVID-19 pandemic.*

Intuitively, firms eager to exit the guidance game should have relatively lower (higher) benefits (costs) to providing quarterly guidance compared to other firms that regularly provide guidance. We argue that the pool of firms that suspended guidance at the onset of the pandemic includes firms that used the widespread suspension of guidance as an opportunity to more permanently end guidance. We expect that the net benefits of issuing guidance in the period preceding the pandemic were lower for these firms than for the firms that restarted guidance after the resolution of pandemic-related uncertainty. Thus, our second prediction is that among the set of firms that suspended guidance at the beginning of the pandemic, those that stopped (as opposed to temporarily pausing) guidance had lower net benefits to providing guidance in the period leading up to the pandemic. Based on prior research, we make several related predictions about the characteristics of the firms that stopped guidance.

Prior studies suggest one benefit of providing earnings forecasts is the ability to guide analyst expectations to an achievable target (e.g., Jennings, 1987; Baginski and Hassell, 1990;

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Lang and Lundholm, 1996; Cotter et al., 2006). If a primary motivation for issuing guidance is to manage analyst expectations so the firm can meet or beat the consensus analyst forecast, then firms unable to guide analyst forecasts to an achievable benchmark should have been less likely to continue issuing guidance. Feng and Koch (2010) examine the effects of prior quarterly guidance outcomes on future guidance decisions and find that firms are less likely to issue guidance when their past guidance was unsuccessful in managing analyst expectations, which is consistent with the intuition that failing to manage analyst expectations leads managers to be disillusioned with guidance. In our setting, we predict that among the firms that suspended guidance in the spring of 2020, firms that had been less successful in managing analysts forecast prior to the pandemic were more likely to have used the pandemic to stop guidance. Thus, we predict the following:

P2a: *Of the firms that suspended quarterly earnings guidance at the onset of the COVID-19 pandemic, those that had been less successful in managing analyst expectations were more likely to have stopped the issuance of quarterly earnings guidance.*

One cost to issuing guidance is the possibility of managers missing their own forecasted expectations. There are several potential negative consequences resulting from managers missing their own earnings guidance including: (1) signaling managerial incompetence or a failure to understand the underlying business (e.g., Graham et al., 2005; Goodman et al., 2014), (2) loss of credibility with analysts and investors resulting in discounted future guidance (e.g., Call et al., 2024), (3) reduced employee morale, (4) lower bonus compensation awarded for meeting performance targets (e.g., Call et al., 2024), and (5) weakened career prospects (e.g., Skinner 1994). Thus, managers who have trouble meeting or beating their own publicly announced guidance are more likely to view guidance less favorably. Consistent with these consequences, Feng and Koch (2010) find managers who have issued optimistic guidance in the past are less likely to issue guidance going forward. We expect that some managers that have trouble meeting

their own guidance prefer to stop issuing guidance but are unwilling to do so because of the fear

of sending a negative signal to investors. Based on these arguments, we predict the following:

> **P2b**: *Of the firms that suspended quarterly earnings guidance at the onset of the COVID-19 pandemic, those that had been unsuccessful in meeting or beating their own guidance were more likely to have stopped the issuance of quarterly earnings guidance.*

As discussed in section 2, the primary argument made by those opposing quarterly earnings

guidance is that short-term earnings targets result in strong incentives for managers to prioritize

short-term performance over long-term value. The incentives for managers to engage in "myopic"

decision making can be affected by the extent to which their investor base fixates on quarterly

earnings results (e.g., Bushee, 1998). Providing guidance to an already myopic investor base could

exacerbate investor short-termism (e.g., Brochet et al., 2015). Therefore, guidance firms with

investors who are more focused on quarterly earnings have incentives to reduce the effects of

investor myopia by stopping guidance (DellaVigna and Pollet, 2009; Hirshleifer et al., 2009;

Engelberg and Parsons, 2011). Thus, we predict the following:

> **P2c**: *Of the firms that suspended quarterly earnings guidance at the onset of the COVID-19 pandemic, those whose investors had been more fixated on quarterly earnings results were more likely to have stopped the issuance of quarterly earnings guidance.*

Chen et al. (2011) examine a sample of firms that stopped quarterly guidance between 2000

and 2006 and find that poor future performance is a determinant of the decision to stop guidance.

This finding is consistent with Karageorgiou et al. (2014) who argue that despite the costliness of

the practice, many firms continue issuing quarterly guidance out of fear that the market will

interpret stopping as a negative signal. If the firms that stopped quarterly guidance at the beginning

of the COVID-19 pandemic had a pre-existing desire to exit the guidance game, using the

widespread suspension of guidance as an opportunity to avoid the market misinterpreting stopping

as a negative signal, then we expect that these firms were less likely to experience poor

performance after stopping guidance. Specifically, we expect the subsequent performance of these firms is better than the post-stopping performance of firms that stopped guidance prior to the pandemic. Thus, we predict the following:

> **P3**: *The firms that stopped quarterly earnings guidance during the COVID-19 pandemic had higher abnormal stock returns in the subsequent year than the firms that stopped guidance in the years prior to the COVID-19 pandemic.*

4. Empirical Tests

4.1 Prediction 1 – Stopping Guidance Over Time

To provide initial evidence on our first prediction, we plot the number of firms that have stopped guidance each year since 2010. We identify guidance firms as those forecasting quarterly earnings for at least five of the previous eight quarters and classify firms as stopping guidance when they do not issue earnings guidance for at least five consecutive quarters after the onset of the pandemic. These criteria are arguably more conservative than in prior research. For example, Chen et al. (2011) define guidance firms as those that issue quarterly guidance in at least three of four quarters, and stopping firms as guidance firms that cease quarterly guidance for at least four consecutive quarters. For each calendar-quarter beginning in 2010 we count the number of guidance firms that stop guidance. Our first prediction suggests there was a spike in the number of firms stopping quarterly earnings guidance in the first two quarters of 2020.

Figure 1 presents the results related to our first prediction. Consistent with our expectations, we observe the number of regular guidance firms that stop issuing guidance is considerably higher during the first quarters of the COVID-19 pandemic than in any other quarter during the preceding ten years. Thus, the stopping of quarterly earnings guidance at the onset of the pandemic was far from ordinary.

The resolution of pandemic-related uncertainty by Q4 of 2021 is critical to our research design. To provide evidence on the resolution of pandemic-related uncertainty, we present multiple indexes related to macroeconomic uncertainty. Specifically, we plot the monthly U.S. economic policy uncertainty, the global uncertainty index, and the CBOE Volatility index (VIX) in Panels A, B, and C of Figure 2 (Baker et al., 2016). We denote Q4 of 2021 by a vertical dotted red line. As illustrated in each of the figures, the spike in uncertainty created by the pandemic in 2020 had largely been resolved by Q4 of 2021, which supports the idea that managers could have restarted issuing quarterly earnings guidance by Q4 of 2021 if they desired to do so. We address the possibility that pandemic-related uncertainty remained high for some firms by including control variables that capture firm-sensitivity to COVID.

4.2 Prediction 2 – Costs/Benefits of Guidance Prior to COVID-19

4.2.1 Sample and Descriptive Statistics

For our empirical analysis of P2, we identify guidance firms as those firms that issued quarterly earnings guidance in at least five out of eight fiscal quarters during 2018 and 2019.[4] This results in 377 firms that regularly issue quarterly guidance. To address potential confounding effects due to delistings or bankruptcy, we remove firms that entered or exited the Compustat universe between 2018 and 2021, reducing our sample to 341 firms. Next, we ensure that sample firms had not already stopped guidance before the onset of the pandemic by requiring firms to have issued a forecast during Q4 of 2019 or Q1 of 2020. Among this set of regular guiders, we identify firms that suspended guidance at the beginning of COVID-19, where we define suspending guidance as not issuing quarterly earnings guidance during Q2 or Q3 of 2020. After imposing these criteria, we have a final sample of 180 firms that regularly issued guidance during

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[4] We do not restrict our sample to firms providing guidance in eight out of eight quarters prior to COVID-19 to preserve sample size. In untabulated tests, we relax this assumption and find similar results.

2018 and 2019, suspended guidance at the beginning of the pandemic, and were still publicly listed as of Q4 of 2021.

After identifying this sample of guidance firms that suspended guidance at the onset of the pandemic, we create an indicator variable, *STOPPER*, that is equal to one for firms that had not restarted issuing guidance by the end of Q4, 2021, and equal to zero otherwise. Thus, *STOPPER* is equal to one for firms that stopped quarterly guidance during the pandemic and is equal to zero for firms temporarily paused guidance at the onset of the pandemic but that had resumed issuing quarterly earnings guidance by the end of 2021. Exhibit 1 illustrates our approach using two guidance firms, Abbott Laboratories and Bath & Body Works, Inc., and their quarterly earnings guidance activity before and after the start of the pandemic. Both firms provided earnings guidance each quarter between Q1 of 2018 and Q1 of 2020, and both firms did not provide guidance during Q2 and Q3 of 2020. However, Bath and Body Works, Inc. restarted issuing guidance in Q1 of 2021 (*STOPPER* = 0) while Abbott Laboratories had not issued any guidance through 2021 (*STOPPER* = 1).

Figure 3 displays a breakdown of the number of regular guidance firms that (i) continued providing quarterly guidance in 2020 (*CONTINUERS*), (ii) suspended guidance in 2020 but only temporarily (*RESTARTERS*), and (iii) stopped guidance (*STOPPERS*). The figure indicates that of the 312 firms providing regular quarterly guidance leading up to the pandemic, a majority (58%) suspended guidance in the spring of 2020. Of those that suspended guidance, a substantial portion (39%) stopped guidance.

Table 1 provides the descriptive statistics for the 180 firms we use in our regression analyses and that we use to test predictions 2-5. The descriptive statistics indicate that on average, firms suspending guidance have approximately $3.5 billion in total assets, a market-to-book ratio

of just over three, and approximately 10 analysts following the firm. The average ROA is 6.4%

and the average sales growth is 4.8%. These statistics indicate that our sample is similar to the set

of firms identified by Hope et al. (2022) as having withdrawn guidance at the beginning of the

pandemic. For example, the average analyst coverage for firms they identify is 10.7.

Table 2 presents Pearson correlations for the main variables used in our analysis. As

preliminary evidence, *STOPPER* is negatively correlated with *%_MB_ANALYST*,

%_MB_GUIDANCE, and *LITIGATION RISK* (albeit weakly), and is positively correlated with

ABN_EA_VOLUME. The signs of these univariate correlations are consistent with our main

predictions.

4.2.2 Research Design

To test predictions 2a, 2b, and 2c, we focus on the pre-COVID-19 characteristics of firms

that suspended guidance at the onset of the pandemic. Specifically, we compare the firms that

suspended but restarted guidance with those that suspended and did not restart (i.e., stopped)

guidance. We predict that the firms that stopped guidance during the pandemic were experiencing

weaker net benefits to issuing guidance in the pre-COVID period—and were motivated to continue

issuing guidance in an effort to avoid the market consequences of stopping—relative to other firms

that ultimately restarted their guidance activity. Accordingly, we estimate the following firm-level

logistic regression:

$$STOPPER_i = \beta_0 + \beta_{1-4}VOI_i + \Sigma\beta_k CONTROLS_i + \varepsilon_i \tag{1}$$

where *VOI* is the variable of interest depending on the prediction being tested. *CONTROLS* is a

vector of control variables including return on assets (*ROA*), a proxy for firm size (*ASSETS*), the

market-to-book ratio (*MTB*), financial leverage (*FINANCIAL_LEVERAGE*), growth in sales

(*SALESGROWTH*), the number of analysts following the firm (*ANALYSTS*), the percentage of

institutional ownership (*INSTOWN),* a measure of litigation risk (*LITIGATION_RISK*), and a measure of uncertainty about future earnings (*INDUSTRY_DISPERSION*).

We also include three controls for a firm's exposure to the COVID-19 pandemic: *COVID_EXPOSURE, COVID_RISK,* and *COVID_SENTIMENT*. The variables are developed in Hassan et al. (2020) and capture firm exposure, risk, and net sentiment related to the pandemic.[5] Hope et al. (2022) use two of these measures, *COVID_EXPOSURE* and *COVID_SENTIMENT*, as proxies for firm exposure to the pandemic. These COVID-19 sensitivity variables are critical to our research design, given that one alternative explanation for why certain firms did not resume issuing guidance by the end of 2021 is that they were more affected by COVID-19 than the firms that resumed issuing guidance. We include these variables as controls in our model, even though univariate descriptive statistics do not indicate that firms that stopped guidance were more affected by COVID-19 than firms that resumed issuing guidance. The mean values of *COVID_EXPOSURE*, *COVID_RISK*, and *COVID_SENTIMENT* for firms that stopped (temporarily halted) guidance are 0.509 (0.538), 0.043 (0.051), and -0.054 (-0.089), respectively, and none of these differences are statistically significant.

2.2.3. Results

Table 3 presents the results of our tests of predictions 2a, 2b, and 2c, which compare the firms that stopped guidance at the onset of the pandemic with those that temporarily paused guidance. We predict that in the period just prior to the pandemic, firms that stopped guidance had (i) less success in managing analyst expectations, (ii) less success in meeting their own earnings forecasts, and (iii) greater investor attention on reported quarterly earnings. For ease of comparison, we report standardized beta coefficients.

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[5] See Appendix A for specific variable definitions.

For prediction 2a, *VOI* is *%_MB_ANALYST*, measured as the percentage of quarters that the firm met or beat the median analyst forecast during 2018 or 2019. Because guidance is used to manage analyst expectations (Call et al., 2024), we expect *%_MB_ANALYST* to exhibit a negative relation with *STOPPER*, suggesting that firms that stopped guidance were less successful in managing analyst forecasts. The results in Table 3 support prediction 2a. Specifically, the coefficient on *%_MB_ANALYST* is negative and significant, suggesting firms that were less effective managing analysts' forecasts prior to COVID-19 were less likely to have restarted guidance by the end of 2021.

Prediction 2b draws on the intuition that firms do not want to miss their publicly issued guidance due to reputational or personal credibility concerns (Skinner, 1994). To test this prediction, we use *%_MB_GUIDANCE* as the variable of interest, where *%_MB_GUIDANCE* is measured by the percentage of quarters in 2018 and 2019 the firm met or beat its own guidance. Specifically, we measure the percentage of quarters where reported earnings is greater than the guidance (either the point forecast or the upper bound for range forecasts). The positive sign on the coefficient of *%_MB_GUIDANCE* in Table 3 is inconsistent with our prediction, although the coefficient is statistically indistinguishable from zero.

Prediction 2c relates to investor fixation on quarterly earnings or short-term performance results. We argue that myopic investors provide motivation for firms to exit the quarterly guidance game. We measure investor myopia, *ABN_EA_VOLUME*, as the average trading volume for the three-day trading window around each earnings announcement for each quarter in 2018 and 2019, demeaned by the trading volume of each quarter (DellaVigna and Pollet, 2009; Hirshleifer et al., 2009; Engelberg and Parsons, 2011). We expect *ABN_EA_VOLUME* to be higher for firms that stopped guidance than for firms that restarted guidance. Consistent with prediction 2c, the

coefficient on *EA_VOLATILITY* is positive and statistically significant, suggesting that guidance firms with higher abnormal volume around earnings announcement prior to the pandemic were more likely to stop rather than pause guidance.

We also note that the coefficient on *LITIGATION_RISK* is negative and significant, implying that firms with higher litigation risk were more likely to restart issuing guidance. This is consistent with the notion that firms with relatively higher litigation risk issue guidance to manage investor and analyst expectations, reducing the potential for costly earnings surprises (e.g., Houston et al., 2019).

As discussed, controlling for the effects of the COVID-19 pandemic is critical for our research design. In Table 3, the control variables *COVID_EXPOSURE, COVID_RISK,* and *COVID_SENTIMENT*, are all statistically insignificant when included in Table 3. The lack of significance for these variables suggests the decision to restart guidance was determined by factors other than firm exposure to the pandemic, such as the costs and benefits of issuing quarterly earnings guidance in the periods leading up to COVID-19. Collectively, the results in Table 3 provide evidence that firms that exited the guidance game during the pandemic were not enjoying the same benefits to guidance that other guiding firms were.

2.2.4. Additional Evidence on P2 Using Analyst Forecast Revisions

P2a predicts that firms were more likely to stop issuing quarterly earnings guidance during the pandemic if analysts were less responsive to guidance news prior to the pandemic. To provide further evidence on P2a, we adapt the regression model outlined in Feng et al. (2009) and examine analyst forecast revisions in response to management forecast news during the 2015-2019 pre-pandemic period. Specifically, we estimate the following model:

$$ANALYST\_REV_i = \beta_0 + \beta_1 REVISION_i + \beta_2 FUTURE\_STOPPER_i + \beta_3 DOWN_i +$$

$$\beta_4 REPUTATION_i + \beta_5 AGREE_i + \beta_6 REVISION \times FUTURE\_STOPPER_i +$$

$$\beta_7 REVISION \times DOWN_i + \beta_8 REVISION \times REPUTATION_i + \beta_9 REVISION \times AGREE_i + \varepsilon_i \quad (2)$$

The variables are as defined in Feng et al. (2009), with the addition of an indicator variable, *FUTURE_STOPPER*, for firms stopping guidance at the onset of the pandemic. The coefficient on *REVISION* captures the sensitivity of analyst forecast revisions to management's guidance. Our prediction is that the coefficient on *REVISION × FUTURE_STOPPER* is negative, consistent with firms being more likely to ultimately stop issuing earnings guidance (during the pandemic) if analysts had been less responsive to management guidance news.

Table 4 presents the results from estimating equation (2). We are primarily interested in the coefficient on *REVISION × FUTURE_STOPPER*, which we expect to be negative, suggesting that firms are more likely to have stopped issuing guidance during the pandemic if analysts had been less responsive to management guidance news prior to the pandemic. We find that consistent with our prediction, the coefficient on *REVISION × FUTURE_STOPPER* is negative and highly significant in each specification.

Overall, the results related to our second prediction (P2a, P2b, and P2c) presented in Tables 3 and 4 indicate that the firms that stopped guidance during the pandemic are those that were less likely to have received some of the benefits of providing guidance in the years leading up to the pandemic. Nevertheless, these firms continued issuing regular guidance, and only stopped issuing quarterly earnings guidance when they could do so without being flagged as a poor performing firm.

4.3 Prediction 3 – Future Stock Returns of Firm Stopping Guidance

We test P3 by comparing the future stock returns of firms stopping guidance at the onset of the pandemic with the future stock returns of the firms that stopped quarterly earnings guidance

during the years prior to the pandemic. Specifically, we compare buy and hold abnormal returns over the year following stopping guidance, separately for firms that stopped issuing guidance during the pandemic and for firms that stopped issuing guidance from 2010-2019, where abnormal returns are measured as the firms' stock returns (adjusted for dividends) less the value-weighted market return.

Table 5 provides evidence on this prediction—that firms stopping guidance during the COVID-19 pandemic were less likely to be underperforming firms relative to other guidance stoppers. Here we regress *BHAR(0,6)* and *BHAR(0,12)*, the six-month and one-year future buy-and-hold abnormal returns (including dividends) for firms stopping guidance, on an indicator variable, *COVID_STOPPER*, equal to one if the firm stopped guidance during COVID, and equal to zero if the firm stopped issuing guidance between 2010 and 2019. Columns (1) through (4) vary the horizon of *BHAR* as well as the inclusion of control variables. Consistent with our prediction, the coefficient on *COVID_STOPPER* is positive and significant in all columns.[6] These results suggest firms stopping guidance during COVID were systematically different from those stopping in prior periods. In particular, firms that stopped guidance prior to the pandemic were relatively poorly performing firms, while those that stopped guidance at the onset of the pandemic were not.

Our next tests examine the future *monthly* buy-and-hold returns for firms stopping quarterly earnings guidance during COVID-19 and those stopping in the years preceding the pandemic. Specifically, we examine the mean and median buy-and-hold returns from month 0 through 6 after firms stop quarterly earnings guidance. Table 6 presents the results. While there is no statistically significant difference between COVID and non-COVID stoppers for months 0-1 after stopping guidance, COVID-stoppers' abnormal returns are positive through month 1, and

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[6] This sample includes nine stoppers lacking sufficient data to estimate our main specification. The results are robust to removing these observations.

non-COVID stoppers' abnormal returns become negative. For months 2-6, the difference in future abnormal returns between COVID stoppers and non-COVID stoppers is more pronounced and is statistically significant at the 1% level. Similar to the earlier months, in months 2-6, non-COVID stoppers' returns are negative while COVID-stoppers' returns are positive. These findings are consistent with the broader intuition that high-performing firms were eager to stop issuing guidance and took advantage of the opportunity to do so during the COVID-19 pandemic when they were less likely to face a market penalty and be characterized as having private information about poor future performance.

5. Additional Analysis

5.1 Did Stopping Guidance During the Pandemic Reduce Investor Fixation on Earnings?

In this section, we examine whether the firms that stopped guiding quarterly earnings following the COVID-19 pandemic experienced benefits from doing so. Because prior research has documented reduced short-termism among investors when firms stop guiding quarterly earnings (Kim et al., 2017), and given the result in Table 3 suggesting greater investor fixation on earnings in the pre-period contributed to stopping guidance at the beginning of the pandemic, we examine whether our sample of guidance stoppers experienced reduced investor short-termism, measured as abnormal trading volume around earnings announcements, in the periods following guidance cessation. Specifically, we estimate the following regression model:

$$ABN\_EA\_VOLUME_i = \beta_0 + \beta_1 POST_i + \beta_2 POST \times STOPPER_i + \beta_3 ANALYSTS_i +$$

$$\beta_4 ASSETS_i + \beta_5 FINANCIAL\ LEVERAGE_i + \beta_6 MTB_i + \varepsilon_i \tag{3}$$

For this analysis, we limit our sample to the years 2018-2021 and set *POST = 1* for firm-quarters in 2020 or 2021 and set *POST = 0* for firm-quarters in 2018 or 2019. See the appendix for specific variable definitions. Table 7 presents the results of this analysis. Columns (1) and (2) report

abnormal trading volume at earnings announcements for the sample of COVID stoppers before and after stopping guidance. Here, the coefficient on *POST* is negative and significant at the 1% level, which suggests that firms stopping guidance during COVID experienced relatively lower levels of volatility around earnings announcements, consistent with lower investor short-termism. In columns (3) and (4), we augment our sample with all other Compustat firm-quarter observations in 2018-2021 with assets greater than $10 million. In these columns we include an indicator variable, *STOPPER,* which we interact with *POST,* and we also include year fixed effects. Similar to the results in columns (1) and (2), the coefficient on *POST* × *STOPPER* in columns (3) and (4) is negative and statistically significant at conventional levels. In sum, the firms that stopped guiding quarterly earnings around the pandemic appear to have reduced investor short-termism, while not incurring a stock price penalty for stopping.

5.2 Robustness Tests

We conduct several additional tests to examine the robustness of our main regression results (see Table 3) to various research design choices. In Table 8 we examine the robustness of results with respect to the definition of *STOPPER*. In Table 3, *STOPPER* is equal to one for firms that do not restart issuing guidance by Q4 of 2021, whereas in Table 8, we provide the results of the model for different restart dates: Q4 of 2020, and Q1 to Q4 of 2021. The results in each of the specifications in Table 8 are similar to those in Table 3, indicating that our main results are robust to alternative definitions of *STOPPER*.

Table 9 reports the results from estimating equation (1) using alternative proxies for each of our independent variables of interest: the ability to meet or beat analyst forecasts (Panel A), the ability to meet or beat firm guidance (Panel B), and investor fixation on quarterly earnings results (Panel C). The results using the alternative measures are consistent with our main results in Table

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3. We do note that in Panel B, for three of the four alternative proxies for meeting or beating firm guidance, the coefficients are negative as predicted, though not statistically significant at conventional levels.

In Table 10 we augment equation (1) with additional control variables for firm exposure to the COVID-19 pandemic, measured as of the latest quarter for which we have available data through the end of 2021 (*COVID_EXPOSURE_LATEST*, *COVID_RISK_LATEST*, and *COVID_SENTIMENT_LATEST*). The coefficients on our primary variables of interest remain statistically significant with the additional uncertainty controls included in the model. In addition, the coefficients on the additional uncertainty controls are statistically insignificant, suggesting that the residual uncertainty related to the pandemic was not a determining factor of stopping guidance around the pandemic, as discussed above.

6. Conclusion

Despite persistent criticism of quarterly earnings guidance and evidence that it encourages value-destructive short-termism (e.g., Graham et al., 2005), many firms continue this practice. We argue and seek to provide empirical evidence that firms with established guidance histories face pressure to continue disclosure because investors interpret cessation as a negative signal about future performance.

The primary empirical challenge in testing this argument is distinguishing firms that optimally continue guidance from those that do so in order to avoid the market penalties associated with stopping. The COVID-19 pandemic provides a unique opportunity for identification, as it introduced significant and unexpected economic uncertainty. Hope et al. (2022) document widespread guidance withdrawals in the spring 2020 that were not accompanied by the typical market penalties, as investors attributed withdrawals to heightened uncertainty rather than an

assumption that managers were in possession of negative private information. Thus, the pandemic allowed firms to discontinue guidance practices without sending adverse signals to the market.

Our evidence supports this argument in several ways. First, we document an unprecedented increase in guidance cessation during the pandemic, suggesting many firms exploited pandemic-related uncertainty to exit disclosure commitments. Second, firms that stopped issuing guidance during the pandemic exhibited pre-pandemic characteristics consistent with facing higher costs and enjoying lower benefits of guidance—specifically, less success in managing analyst expectations and greater investor fixation on quarterly earnings. Third, unlike the negative post-cessation returns for firms stopping guidance in the prior decade, firms that stopped guiding during the pandemic generated positive abnormal returns in the subsequent 6- and 12-month periods. This study provides empirical support for the argument that market penalties create a form of "involuntary" voluntary disclosure, where firms continue issuing guidance due to concerns about guidance cessation triggering negative perceptions in the market.

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Appendix A
Variable definitions

Variable	Definition
%_MB_ANALYST	The percentage of quarters a firm met or beat the analyst consensus estimate in 2018 and 2019, where meeting or beating the analyst consensus estimate is measured as reporting earnings per share equal to or greater than the *I/B/E/S* median analyst EPS forecast prior to the end of the fiscal period (*I/B/E/S Summary File*).
%_MB_GUIDANCE	The percentage of quarters a firm met or beat the most recent EPS guidance in 2018 and 2019, where meeting or beating EPS guidance is measured as reporting earnings per share equal to or greater than the upper bound of the range (point estimate where applicable) of the most recent management EPS guidance prior to the earnings announcement (*I/B/E/S*).
%_MB_GUIDANCE_LB	The percentage of quarters a firm met or beat the most recent EPS guidance in 2018 and 2019, where meeting or beating EPS guidance is measured as reporting earnings per share equal to or greater than the lower bound of the range (point estimate where applicable) of the most recent management EPS guidance prior to the earnings announcement (*I/B/E/S*).
%_GUIDANCE_WR	The percentage of quarters a firm met the most recent EPS guidance in 2018 and 2019, where meeting EPS guidance is measured as reporting earnings per share within range (equal to the point estimate) of the most recent management EPS guidance prior to the earnings announcement (*I/B/E/S*).
ABN_EA_VOLUME	The average abnormal earnings announcement trading volume for quarters during 2018 and 2019, measured as the average daily trading volume during the three trading days around the company's earnings announcement, scaled by the average daily trading volume for the company during the quarter, for eight firm-quarter observations in 2018 and 2019.
ABSFE_ST	The absolute value of the difference between *I/B/E/S* realized earnings and the fiscal-quarter-end median analyst forecast, scaled by price.
AGREE	An indicator variable that is equal to one if the 3-day abnormal return around the management guidance has the same sign as the direction of the revision implied by the management guidance, and zero otherwise. The abnormal return is equal to the difference between the firm return and the value-weighted return.
ANALYST_REV	The analyst forecast revision (the revised median consensus analyst forecast—the preexisting median consensus analyst

forecast). The pre-existing consensus analyst forecast is the most recent consensus before the management guidance (within 2–30 days). The revised consensus analyst forecast is the updated consensus forecast following the management guidance (within 30 days). If there is not a revised analyst forecast, *ANALYST_REV* is zero.

ANALYSTS	The number of sell-side analysts following the company prior to the COVID-19 Pandemic, measured as the natural logarithm of one plus the number of analysts issuing an earnings forecast for the company's most recent fiscal year-end period prior to March 2020 using the I/B/E/S summary file (*NUMEST*) in our main specifications, and as of the designated firm-quarter in other sample specifications.
ASSETS	Assets in 2019, measured as the natural logarithm of total assets for the company's most recent fiscal year-end prior to March 2020 (Compustat *AT*) in our main specifications, and as of the designated firm-quarter in other samples.
AVG(ANNUAL_VOLUME)	Average daily trading volume scaled by daily shares outstanding in 2019 using CRSP data.
AVG(DECEMBER_VOLUME)	Average daily trading volume scaled by daily shares outstanding in December 2019 using CRSP data.
BHAR	The firm's monthly value-weighted buy-and-hold abnormal return beginning the month a firm stops quarterly earnings guidance after having regularly issued earnings guidance for five (or eight) of the previous eight quarters. We measure the month of stopping guidance as the month of the first earnings announcement without quarterly EPS guidance where a firm does not issue guidance for the next five quarters after having issued guidance in five of eight prior quarters (*I/B/E/S*).
COVID_EXPOSURE	Firm-level exposure to the COVID-19 pandemic for Q1, 2020 (see Hassan et al., 2022).
COVID_RISK	Firm-level COVID-19 related risk for Q1, 2020 (see Hassan et al., 2022).
COVID_SENTIMENT	Firm-level COVID-19 related sentiment for Q1, 2020 (see Hassan et al., 2022).
COVID_EXPOSURE_LATEST	Firm-level exposure to the COVID-19 pandemic for the latest quarter with sufficient data through Q4, 2021 (see Hassan et al., 2022).
COVID_RISK_LATEST	Firm-level COVID-19 related risk for the latest quarter with sufficient data through Q4, 2021 (see Hassan et al., 2022).
COVID_SENTIMENT_LATEST	Firm-level COVID-19 related sentiment for the latest quarter with sufficient data through Q4, 2021 (see Hassan et al., 2022).

COVID_STOPPER	An indicator variable if the firm stopped quarterly earnings guidance in 2020, and equal to zero if the firm stopped quarterly earnings guidance during 2010-2019.
DISP	The standard deviation of analyst EPS forecasts measured prior to the earnings announcement, scaled by price (*I/B/E/S*).
DOWN	An indicator variable that is equal to one if the management guidance falls below the pre-existing consensus analyst forecast, and zero otherwise.
FIN	An indicator variable equal to one if a firm has an SIC code between 6000 and 6999, and equal to zero otherwise.
FINANCIAL_LEVERAGE	Financial leverage in 2019, measured as assets divided by book-value of equity for the company's most recent fiscal year-end prior to March 2020 (Compustat *AT*/*SEQ*).
FUTURE_STOPPER	An indicator variable equal to one if the company stops issuing quarterly EPS guidance during the COVID-19 pandemic without restarting, and equal to zero otherwise.
INDUSTRY_DISPERSION	Adjusted industry *ROA* dispersion, measured as the standard deviation of industry (SIC 2-Digit) *ROA* for the quarter for firms with assets greater than ten million, less industry dispersion for the same quarter two years prior (Compustat *IBQ* scaled by beginning-of-period *ATQ*).
INSTOWN	Institutional investor ownership, measured as of December 31, 2019 (Thomson Refinitiv *13-F*).
LITIGATION_RISK	Litigation risk as of the company's most recent fiscal year-end period prior to March 2020, measured using coefficient weights in Kim and Skinner (2012).
LOSS	An indicator variable equal to one if earnings before extraordinary items is negative for the quarter, and equal to zero otherwise (Compustat *IBQ*).
MTB	Market-to-book for the company's most recent fiscal year-end period prior to March 2020 (Compustat *PRCC_F* * *CSHO* / *SEQ*) in our main specifications, and as of the designated firm-quarter in other samples.
MVE	The natural logarithm of market value of equity at the end of the fiscal period (Compustat *PRCCQ* * *CSHOQ*).
NONDEC31	An indicator variable equal to 1 for firm-quarters with non-December 31 fiscal year end and 0 otherwise.
NUM_MB_ANALYST	The natural logarithm of one plus the number of quarters a firm met or beat the analyst consensus estimate in 2018 and 2019, where meeting or beating the analyst consensus estimate is measured as reporting earnings per share equal to or greater than the *I/B/E/S* median analyst EPS forecast prior to the end of the fiscal period.
NUM_MB_ANALYST_MEAN	The natural logarithm of one plus the number of quarters a firm met or beat the analyst consensus estimate in 2018 and

	2019, where meeting or beating the analyst consensus estimate is measured as reporting earnings per share equal to or greater than the *I/B/E/S* mean analyst EPS forecast prior to the end of the fiscal period.
NUM_MB_GUIDANCE	The natural logarithm of one plus the quarters a firm met or beat the most recent EPS guidance in 2018 and 2019, where meeting or beating EPS guidance is measured as reporting earnings per share equal to or greater than the upper bound of the range (point estimate where applicable) of the most recent management EPS guidance prior to the earnings announcement.
POST	An indicator variable equal to one for firm-quarters in 2020 or 2021, and equal to zero otherwise.
Q4	An indicator variable equal to one for fourth-quarter observations, and equal to zero otherwise.
REPUTATION	The average accuracy of management guidance over the preceding 3 years, where the accuracy is equal to 1, 0 and 1, respectively, if the absolute value of the preexisting analyst forecast error is greater than, equal to or less than the absolute value of the management forecast error.
REVISION	The revision implied by the management guidance (management guidance—pre-existing median consensus analyst forecast).
ROA	Return on assets for the company's most recent fiscal year-end period prior to March 2020, measured as earnings before extraordinary items scaled by beginning-of-period assets (Compustat *IB, AT*).
SALESGROWTH	Sales growth for the company's most recent fiscal year-end period prior to March 2020, measured as sales less prior period sales, scaled by prior period sales (Compustat *SALE*) in our main specifications, and as of the designated firm-quarter in other samples.
STOPPER	An indicator variable equal to one if the company has stopped issuing quarterly EPS guidance after the COVID-19 pandemic and not restarted, and equal to zero otherwise.

Exhibit 1
Selected Quarterly EPS Guidance Data

	Abbott Laboratories	*Bath & Body Works Inc.*
2018Q1	●	●
2018Q2	●	●
2018Q3	●	●
2018Q4	●	●
2019Q1	●	●
2019Q2	●	●
2019Q3	●	●
2019Q4	●	●
2020Q1	●	●
2020Q2	-	-
2020Q3	-	-
2020Q4	-	-
2021Q1	-	●
2021Q2	-	●
2021Q3	-	●
2021Q4	-	●
	STOPPER = 1	*STOPPER = 0*

Exhibit 1 displays selected quarterly EPS guidance data for Abbott Laboratories and Bath & Body Works Inc. around the onset of the COVID-19 Pandemic. ● denotes the company provided EPS guidance during the quarter, and – denotes the company did not provide quarterly EPS guidance during the quarter.

Figure 1 presents the rolling number of public companies stopping quarterly earnings guidance over time after 2010. We present the frequency of companies that issue quarterly EPS guidance in five out of the eight previous quarters and stop for at least 5 quarters. We omit instances of stopping due to missing Compustat data (i.e., bankruptcies or de-listings).

Figure 2
Uncertainty around the COVID-19 Pandemic

Panel A: Monthly Economic Policy Uncertainty
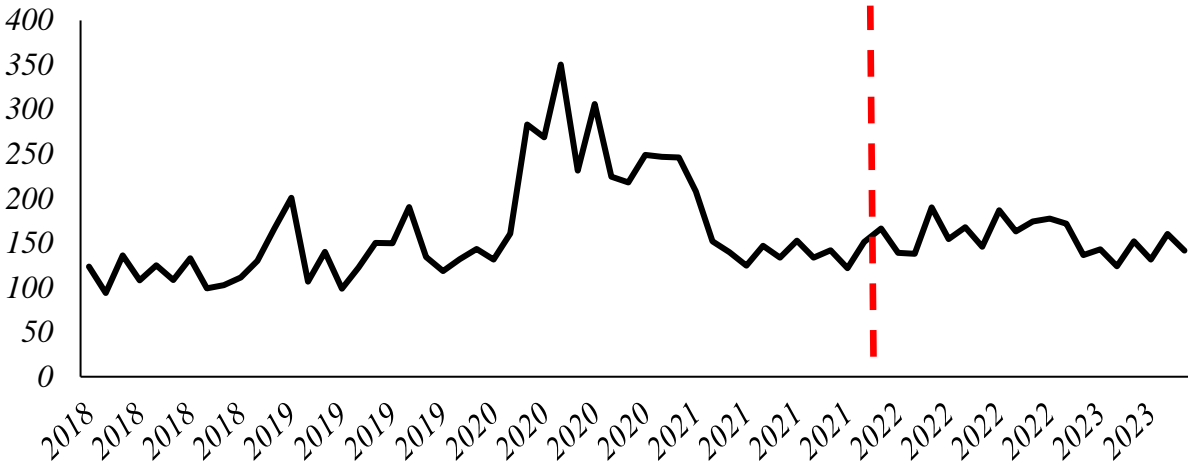
Panel B: Quarterly World Uncertainty Index
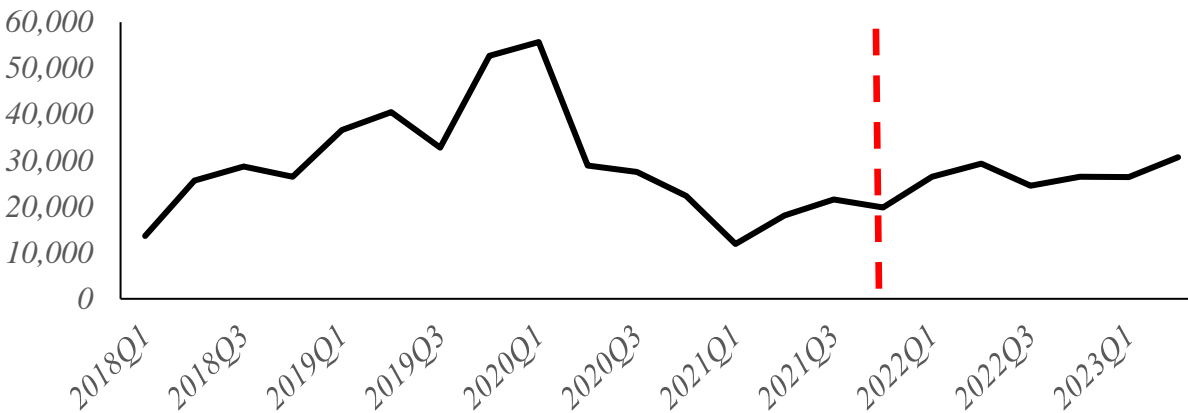
Panel C: Daily VIX
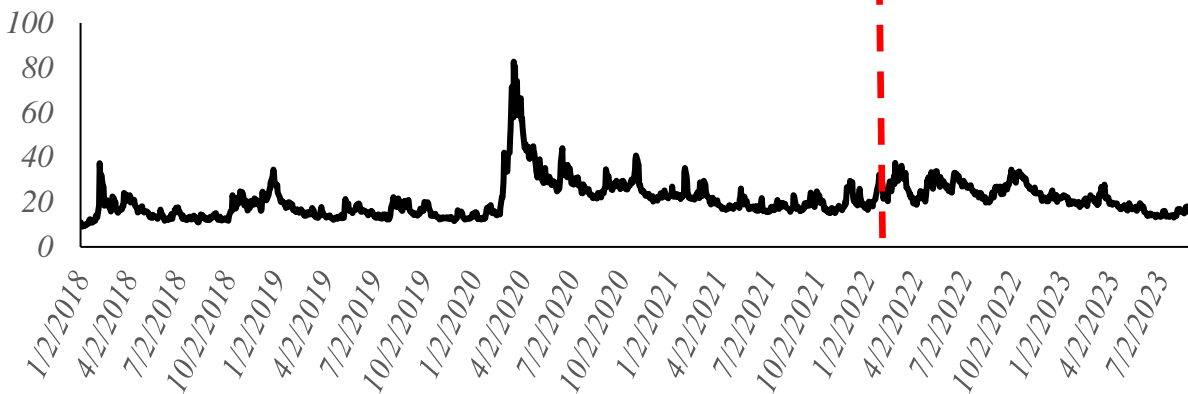
Figure 2 presents proxies for economic uncertainty. Panel A presents the U.S. economic policy uncertainty index, Panel B presents the world uncertainty index, and Panel C presents the daily CBOE VIX, from 2018-2023 (Baker, Bloom, and Davis, 2016). The dotted red line denotes the end of our sample cutoff for designating a firm as having stopped quarterly earnings guidance.

Figure 3
Quarterly EPS Guidance around the COVID-19 Pandemic

■ *CONTINUERS*   ■ *RESTARTERS*   ■ *STOPPERS*
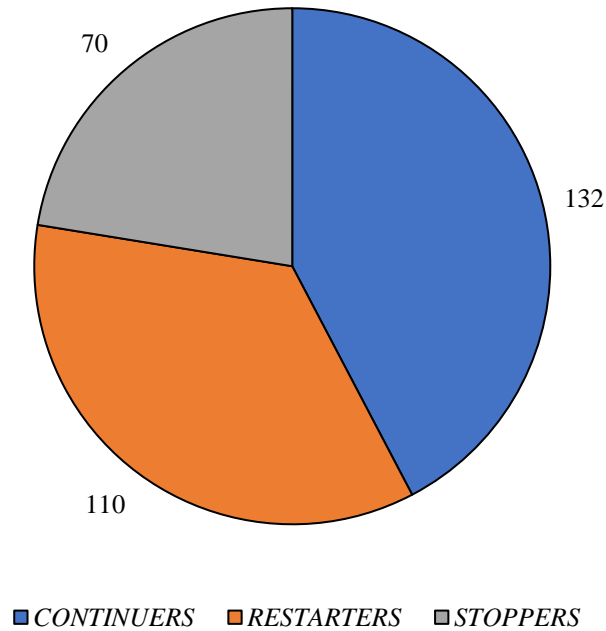
Figure 3 displays the quarterly EPS guidance behavior of firms around the COVID-19 Pandemic. The sample includes firm observations with non-missing quarterly Compustat data from Q1, 2018, through Q4, 2021. The sample includes firms issuing quarterly EPS guidance for at least 5 out of 8 quarters in 2018 and 2019. We tabulate the number of companies that stopped quarterly earnings guidance during Q2 or Q3 2020 and have restarted (*RESTARTERS*), the number of companies that stopped quarterly earnings guidance during Q2 or Q3 2020 and have not restarted (*STOPPERS*), and the number of companies that continued issuing quarterly earnings guidance during Q2 and Q3 2020 (*CONTINUERS*).

Table 1
Descriptive Statistics

Panel A: Main Variables

	N	Mean	Std.Dev.	25th Pctl	50th Pctl	75th Pctl
%_MB_ANALYST	180	0.838	0.167	0.750	0.875	1.000
%_MB_GUIDANCE	180	0.695	0.262	0.500	0.750	0.875
ABN_EA_VOLUME	180	0.012	0.015	0.004	0.007	0.015
ANALYSTS	180	2.399	0.682	1.869	2.485	2.970
ASSETS	180	8.148	1.493	7.210	8.010	9.284
COVID_EXPOSURE	180	0.527	0.654	0.000	0.287	0.789
COVID_RISK	180	0.048	0.111	0.000	0.000	0.000
COVID_SENTIMENT	180	-0.075	0.199	-0.140	0.000	0.000
FINANCIAL_LEVERAGE	180	1.440	9.070	1.678	2.240	3.043
INSTOWN	180	0.886	0.136	0.819	0.908	0.974
INDUSTRY_DISPERSION	180	0.053	0.285	-0.024	0.009	0.043
LITIGATION_RISK	180	-0.832	1.081	-1.478	-0.971	-0.312
MTB	180	3.096	12.517	1.903	3.343	5.425
ROA	180	0.064	0.094	0.019	0.065	0.112
SALESGROWTH	180	0.049	0.125	-0.004	0.045	0.095
STOPPER	180	0.389	0.489	0.000	0.000	1.000

Panel B: Returns Analysis Variables

	N	Mean	Std.Dev.	25th Pctl	50th Pctl	75th Pctl
ANALYSTS	278	2.091	0.788	1.609	2.197	2.708
ASSETS	278	7.419	1.896	6.079	7.338	8.767
BHAR(0,0)	278	-0.006	0.157	-0.088	-0.013	0.078
BHAR(0,1)	278	0.008	0.211	-0.098	-0.003	0.102
BHAR(0,2)	278	0.012	0.246	-0.131	-0.006	0.106
BHAR(0,3)	278	0.025	0.311	-0.149	-0.009	0.129
BHAR(0,4)	278	0.029	0.316	-0.139	-0.021	0.154
BHAR(0,5)	278	0.030	0.355	-0.158	-0.016	0.163
BHAR(0,6)	278	0.032	0.394	-0.192	-0.015	0.173
BHAR(0,12)	278	-0.031	0.411	-0.256	-0.071	0.128
COVID_STOPPER	278	0.284	0.452	0.000	0.000	1.000
FINANCIAL_LEVERAGE	278	3.528	7.509	1.629	2.223	3.408
MTB	278	3.821	6.497	1.208	2.130	3.928
MVE	278	7.305	2.043	5.957	7.372	8.841
SALESGROWTH	278	0.007	0.249	-0.109	0.001	0.105

Panel C: Analyst Forecast Revisions Analysis Variables

	N	Mean	Std.Dev.	25th Pctl	50th Pctl	75th Pctl
ANALYST_REV	3,303	-0.001	0.011	-0.002	-0.000	0.000
REVISION	3,303	-0.002	0.022	-0.002	-0.001	0.000
FUTURE_STOPPER	3,303	0.376	0.485	0.000	0.000	1.000
DOWN	3,303	0.649	0.478	0.000	1.000	1.000
REPUTATION	3,303	0.100	0.476	-0.200	0.111	0.400
AGREE	3,303	0.547	0.498	0.000	1.000	1.000
REVISION × FUTURE_STOPPER	3,303	-0.001	0.019	-0.000	0.000	0.000
REVISION × DOWN	3,303	-0.003	0.020	-0.002	-0.001	0.000
REVISION × REPUTATION	3,303	-0.000	0.004	-0.000	0.000	0.000
REVISION × AGREE	3,303	-0.001	0.010	-0.001	0.000	0.000

Panel D: Abnormal Earnings Announcement Volume Analysis Variables

	N	Mean	Std.Dev.	25th Pctl	50th Pctl	75th Pctl
ABN_EA_VOLUME	48,690	0.006	0.018	-0.000	0.002	0.008
ABSFE_ST	48,690	0.062	0.376	0.001	0.003	0.009
ANALYSTS	48,690	2.019	0.619	1.609	1.946	2.485
ASSETS	48,690	7.562	2.019	6.206	7.619	8.893
DISP	48,690	0.028	0.141	0.001	0.001	0.005
FIN	48,690	0.214	0.410	0.000	0.000	0.000
FINANCIAL_LEVERAGE	48,690	3.314	5.112	1.549	2.324	4.078
MTB	48,690	3.888	7.579	1.180	2.265	4.632
NONDEC31	48,690	0.180	0.385	0.000	0.000	0.000
LOSS	48,690	0.369	0.482	0.000	0.000	1.000
POST	48,690	0.541	0.498	0.000	1.000	1.000
POST × STOPPER	48,690	0.015	0.123	0.000	0.000	0.000
Q4	48,690	0.213	0.410	0.000	0.000	0.000
STOPPER	48,690	0.021	0.145	0.000	0.000	0.000

Table 1, Panel A presents descriptive statistics for the variables used in our primary specification. The sample includes firm-level observations for firms that issued guidance for five out of eight quarters in 2018 and 2019, issued guidance during the first quarter of 2020, and did not provide quarterly EPS guidance during Q2 or Q3 2020. We exclude firm observations missing Compustat data through the end of 2021. Panel B presents descriptive statistics for the variables used in our returns analysis. The sample includes all quarterly EPS guidance stoppers from 2010 onwards with sufficient data. Panel C presents descriptive statistics for the variables used in our analyst revision analysis. The sample includes guidance-level observations in the five years leading up to the pandemic. Panel D presents descriptive statistics for the variables used in our investor short-termism analysis. The sample includes all Compustat firm-quarter observations between 2018 – 2021 with assets greater than 10 million and sufficient data. All variables are defined in Appendix A.

Table 2
Main Variable Correlations

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
(1) %_MB_ANALYST	1.000						
(2) %_MB_GUIDANCE	0.439	1.000					
(3) ABN_EA_VOLUME	0.100	0.172	1.000				
(4) ANALYSTS	0.224	0.222	0.080	1.000			
(5) ASSETS	0.030	0.026	-0.206	0.640	1.000		
(6) COVID_EXPOSURE	0.088	0.077	0.145	0.005	-0.034	1.000	
(7) COVID_RISK	0.043	0.061	0.120	-0.069	-0.090	0.465	1.000
(8) COVID_SENTIMENT	-0.082	-0.117	0.035	0.032	0.033	-0.441	-0.423
(9) FINANCIAL_LEVERAGE	-0.215	-0.145	-0.177	-0.062	0.062	0.034	0.050
(10) INSTOWN	0.021	0.097	0.163	0.102	0.065	-0.133	-0.100
(11) INDUSTRY_DISPERSION	0.146	0.037	-0.057	-0.001	0.043	-0.108	-0.069
(12) LITIGATION_RISK	0.066	0.120	0.412	0.202	0.120	0.133	0.084
(13) MTB	-0.001	0.007	-0.120	0.064	0.002	0.017	0.020
(14) ROA	0.204	0.121	-0.058	0.209	0.089	-0.026	-0.094
(15) SALESGROWTH	0.021	0.196	0.069	0.063	-0.033	-0.036	-0.046
(16) STOPPER	-0.224	-0.036	0.117	-0.014	0.027	0.002	-0.024

	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
(8)	1.000								
(9)	-0.020	1.000							
(10)	0.066	-0.033	1.000						
(11	0.041	0.013	0.045	1.000					
(12)	-0.021	-0.011	-0.014	0.042	1.000				
(13)	0.012	0.736	-0.037	0.005	0.006	1.000			
(14)	0.049	-0.101	-0.018	0.035	-0.212	0.066	1.000		
(15)	0.084	0.037	0.037	-0.025	0.205	0.083	-0.011	1.000	
(16)	0.039	-0.010	-0.017	-0.125	-0.000	-0.025	-0.112	0.108	1.000

Table 2 presents Pearson correlations. All variables are defined in Appendix A.

Table 3
Stopping Quarterly EPS Guidance after the COVID-19 Pandemic

	Pred.	(1) STOPPER	(2) STOPPER	(3) STOPPER	(4) STOPPER
%_MB_ANALYST	-	-1.294***	-1.275***	-1.272***	-1.279***
		(-2.78)	(-2.75)	(-2.74)	(-2.74)
%_MB_GUIDANCE	-	0.364	0.381	0.395	0.412
		(0.76)	(0.79)	(0.82)	(0.84)
ABN_EA_VOLUME	+	1.306***	1.314***	1.289***	1.274***
		(2.84)	(2.87)	(2.78)	(2.73)
ANALYSTS		-0.444	-0.457	-0.456	-0.469
		(-0.83)	(-0.86)	(-0.86)	(-0.88)
ASSETS		1.230**	1.212**	1.208**	1.216**
		(2.16)	(2.14)	(2.12)	(2.13)
COVID_EXPOSURE		0.070	--	--	0.211
		(0.20)			(0.50)
COVID_RISK		--	-0.119	--	-0.154
			(-0.32)		(-0.37)
COVID_SENTIMENT		--	--	0.131	0.184
				(0.36)	(0.44)
FINANCIAL_LEVERAGE		-0.650	-0.624	-0.613	-0.625
		(-1.12)	(-1.08)	(-1.06)	(-1.08)
INDUSTRY_DISPERSION		-0.277	-0.305	-0.299	-0.298
		(-0.49)	(-0.54)	(-0.53)	(-0.52)
LITIGATION_RISK		-1.408***	-1.372***	-1.371***	-1.392***
		(-2.83)	(-2.79)	(-2.79)	(-2.79)
MTB		0.523	0.514	0.495	0.504
		(0.85)	(0.84)	(0.81)	(0.82)
ROA		-0.940**	-0.944**	-0.939**	-0.957**
		(-2.22)	(-2.23)	(-2.23)	(-2.27)
SALESGROWTH		1.041**	1.016**	1.011**	1.022**
		(2.38)	(2.34)	(2.32)	(2.34)
Observations		180	180	180	180
Pseudo. R-Sq^2		13.2%	13.3%	13.3%	13.4%

Table 3 presents the results of multiple logistic regressions. We report standardized coefficient estimates, and *t*-statistics in parentheses. *, **, and *** denote statistical significance (two-tailed, or one-tailed if a prediction is made) at the 10%, 5%, and 1% levels, respectively. All variables are defined in Appendix A.

Table 4
Analyst Revisions in Response to
Management Guidance in the Years Preceding COVID-19

	Years: 2015 - 2019		
	(1) ANALYST_REV	(2) ANALYST_REV	(3) ANALYST_REV
REVISION	0.724***	0.723***	0.739***
	(4.09)	(4.09)	(4.24)
FUTURE_STOPPER	-0.001***	-0.001***	-0.001***
	(-4.86)	(-4.89)	(-5.25)
DOWN	-0.001***	-0.001***	-0.001***
	(-4.15)	(-4.08)	(-3.89)
REPUTATION	0.000	0.000	0.000
	(1.03)	(1.02)	(1.23)
AGREE	0.000	0.000	0.000
	(0.35)	(0.35)	(0.23)
REVISION × FUTURE_STOPPER	-0.629***	-0.628***	-0.632***
	(-5.66)	(-5.69)	(-5.71)
REVISION × DOWN	-0.102	-0.102	-0.115*
	(-1.45)	(-1.45)	(-1.68)
REVISION × REPUTATION	0.240	0.239	0.244
	(1.40)	(1.40)	(1.41)
REVISION × AGREE	0.276*	0.276*	0.262
	(1.65)	(1.66)	(1.59)
Observations	3,303	3,303	3,303
Industry FE	NO	NO	YES
Year FE	NO	YES	YES
Adj. R-Squared	90.4%	90.4%	90.6%

Table 4 presents the results of multiple OLS regressions. We report standardized coefficient estimates, and *t*-statistics in parentheses. *, **, and *** denote statistical significance (two-tailed, or one-tailed if a prediction is made) at the 10%, 5%, and 1% levels, respectively. We cluster standard errors by firm. All variables are defined in Appendix A.

Table 5
Future Buy and Hold Returns of Quarterly Earnings Guidance Stoppers

	(1)	(2)	(3)	(4)
	BHAR(0,6)		BHAR(0,12)	
COVID_STOPPER	0.209***	0.258***	0.160***	0.186***
	(3.56)	(4.13)	(2.70)	(2.90)
ANALYSTS	--	0.169*	--	0.008
		(1.73)		(0.08)
ASSETS	--	0.168	--	0.195
		(1.03)		(1.16)
FINANCIAL LEVERAGE	--	0.043	--	0.011
		(0.51)		(0.13)
MTB	--	0.043	--	0.028
		(0.47)		(0.30)
MVE	--	-0.476**	--	-0.261
		(-2.53)		(-1.35)
SALESGROWTH	--	0.042	--	0.071
		(0.65)		(1.08)
Observations	278	278	278	278
Adj. R-Sq^2	4.0%	6.7%	2.2%	1.3%

Table 5 presents results of multiple OLS regressions examining the future six and twelve-month buy-and-hold abnormal return for firms stopping quarterly EPS guidance between 2010 and 2021. The dependent variable is *BHAR* which is the six or twelve-month buy-and-hold abnormal return beginning the month after a guidance firm stops quarterly EPS guidance for at least five subsequent quarters. The sample is firms that guided five out of eight of the previous quarters before stopping quarterly EPS guidance for at least five quarters. *COVID_STOPPER* is an indicator variable equal to one if the firm stopped quarterly EPS guidance in 2020, and equal to zero otherwise. We report standardized beta coefficients, and *t*-statistics in parentheses, *, **, and *** denotes statistical significance (two-tailed) at the 10%, 5%, and 1% levels, respectively. All variables are defined in the Appendix.

Table 6
Monthly Buy and Hold Returns After Stopping Quarterly Earnings Guidance

Buy/hold returns until month	Mean *BHAR*		Median *BHAR*		*t*-stat. for mean difference	*z*-stat. for median difference
	COVID Stoppers	Non-COVID Stoppers	COVID Stoppers	Non-COVID Stoppers		
0	0.005	-0.012	-0.007	-0.015	0.839	0.418
1	0.039	-0.006	0.013	-0.013	1.626	1.438
2	0.070	-0.012	0.029	-0.029	2.576***	2.660***
3	0.104	-0.009	0.051	-0.041	2.765***	3.138***
4	0.130	-0.013	0.067	-0.053	3.491***	3.887***
5	0.132	-0.014	0.081	-0.058	3.154***	3.897***
6	0.159	-0.022	0.095	-0.064	3.554***	3.831***

Table 6 presents monthly buy and hold returns after stopping quarterly earnings guidance. Columns 2-3 present mean buy-and-hold abnormal value weighted returns and columns 4-5 present median buy-and-hold abnormal value weighted returns. Column 6 presents *t*-statistics for the test of a difference between values in columns 2 and 3. Column 7 presents *z*-statistics for the test of a difference between values in columns 4 and 5. *, **, and *** denote statistical significance (two-tailed) at the 10%, 5%, 1% levels, respectively.

Table 7
Does Stopping Quarterly Earnings Guidance
Around the Onset of COVID-19 Reduce Investor Short-termism?

	(1)	(2)	(3)	(4)
		ABN_EA_VOLUME		
POST	-0.125***	-0.092***	--	--
	(-5.59)	(-3.61)		
POST × STOPPER	--	--	-0.016***	-0.014***
			(-2.89)	(-2.65)
ABSFE_ST	--	-0.209***	--	0.019***
		(-4.69)		(2.59)
ANALYSTS	--	0.311***	--	0.111***
		(2.98)		(8.19)
ASSETS	--	-0.416**	--	-0.036
		(-2.32)		(-1.07)
DISP	--	0.180***	--	0.011
		(3.96)		(1.42)
FINANCIAL_LEVERAGE	--	0.049	--	0.019**
		(0.75)		(2.19)
LOSS	--	-0.015	--	-0.033***
		(-0.50)		(-5.41)
MTB	--	-0.061	--	-0.019**
		(-0.85)		(-2.17)
NONDEC31	--	0.275	--	0.017
		(1.30)		(0.34)
Q4	--	0.039*	--	0.039***
		(1.76)		(10.09)
Observations	1,045	1,045	48,690	48,690
Firm FE	Yes	Yes	Yes	Yes
Year FE	No	No	Yes	Yes
Adj. R-Squared	47.8%	49.5%	33.1%	33.4%

Table 7 presents the results of multiple OLS regressions. The sample in columns 1-2 includes firm-quarters between 2018 and 2021 for firms that stopped quarterly earnings guidance during the COVID-19 pandemic. The sample in columns 3-4 includes all Compustat firm-quarters with non-missing data and assets greater than 10 million. We report standardized beta coefficients, and *t*-statistics in parentheses. *, **, and *** denote statistical significance (two-tailed) at the 10%, 5%, and 1% levels, respectively. All variables are defined in the appendix.

Table 8
Sensitivity Analysis for Different Windows of
Stopping Quarterly Earnings Guidance around COVID-19

	Pred.	(1) STOPPER Q4 2020	(2) STOPPER Q1 2021	(3) STOPPER Q2 2021	(4) STOPPER Q3 2021
%_MB_ANALYST	-	-1.043**	-1.033***	-1.149***	-1.158***
		(-2.16)	(-2.38)	(-2.63)	(-2.61)
%_MB_GUIDANCE	-	0.360	0.466	0.502	0.467
		(0.72)	(1.02)	(1.08)	(1.00)
ABN_EA_VOLUME	+	2.315***	1.027**	1.006**	0.950**
		(2.68)	(1.99)	(2.05)	(2.05)
ANALYSTS		-1.198*	-0.879*	-0.829	-0.705
		(-1.92)	(-1.68)	(-1.60)	(-1.38)
ASSETS		1.283**	0.949*	0.794	0.756
		(2.09)	(1.73)	(1.49)	(1.42)
COVID_EXPOSURE		0.942*	0.793*	0.625	0.375
		(1.89)	(1.90)	(1.54)	(0.93)
COVID_RISK		0.261	-0.173	-0.068	-0.015
		(0.58)	(-0.42)	(-0.17)	(-0.04)
COVID_SENTIMENT		0.727	0.770*	0.633	0.432
		(1.51)	(1.78)	(1.49)	(1.05)
FINANCIAL_LEVERAGE		-0.543	-0.181	-0.373	-0.403
		(-0.84)	(-0.34)	(-0.68)	(-0.73)
INDUSTRY_DISPERSION		-0.353	-0.228	0.062	-0.195
		(-0.92)	(-0.67)	(0.19)	(-0.53)
LITIGATION_RISK		-1.227**	-0.925**	-0.891**	-0.991**
		(-2.32)	(-2.10)	(-2.02)	(-2.21)
MTB		-0.091	0.076	0.253	0.278
		(-0.15)	(0.14)	(0.46)	(0.50)
ROA		-0.215	-0.618	-0.652*	-0.599
		(-0.51)	(-1.59)	(-1.69)	(-1.56)
SALESGROWTH		0.392	0.866**	0.815**	0.826**
		(0.93)	(2.06)	(1.98)	(2.05)
Observations		180	180	180	180
Pseudo. R-Sq^2		14.1%	12.1%	11.6%	10.9%

Table 8 presents the results of multiple logistic regressions. We report standardized coefficient estimates, and *t*-statistics in parentheses. *, **, and *** denote statistical significance (two-tailed, or one-tailed if a prediction is made) at the 10%, 5%, and 1% levels, respectively. All variables are defined in the appendix.

Table 9
Alternative Proxies for Theoretical Constructs of Interest

Panel A: Managing Analyst Expectations

	(1) STOPPER	(2) STOPPER	(3) STOPPER
NUM_MB_ANALYST	-1.126*** (-2.40)	--	--
%_MB_ANALYST_MEAN	--	-1.353*** (-2.84)	--
NUM_MB_ANALYST_MEAN	--	--	-1.255*** (-2.60)
Observations	180	180	180
Controls	YES	YES	YES
Pseudo. R-Sq^2	13.9%	14.9%	14.3%

Panel B: Management guidance accuracy

	(1) STOPPER	(2) STOPPER	(3) STOPPER
NUM_MB_GUIDANCE	0.202 (0.44)	--	--
%_MB_GUIDANCE_LB	--	-0.452 (-0.99)	--
%_MB_GUIDANCE_WR	--	--	-0.413 (-1.03)
Observations	180	180	180
Controls	YES	YES	YES
Pseudo. R-Sq^2	14.5%	14.8%	14.9%

Panel C: Investor fixation on short-term results

	(1) STOPPER	(2) STOPPER
AVG(ANNUAL_VOLUME)	1.644*** (3.19)	--
AVG(DECEMBER_VOLUME)	--	1.645*** (3.17)
Observations	180	180
Controls	YES	YES
Pseudo. R-Sq^2	16.1%	16.2%

Table 9 presents the results of multiple logistic regressions. We report standardized coefficient estimates, and *t*-statistics in parentheses. *, **, and *** denote statistical significance (two-tailed, or one-tailed if a prediction is made) at the 10%, 5%, and 1% levels, respectively. All variables are defined in Appendix A.

Table 10
Robustness: Residual COVID-Related Uncertainty through Q4, 2021

	Pred.	(1) STOPPER	(2) STOPPER
%_MB_ANALYST	-	-1.350***	-1.343***
		(-2.87)	(-2.84)
%_MB_GUIDANCE	-	0.384	0.433
		(0.80)	(0.88)
ABN_EA_VOLUME	+	1.332***	1.290***
		(2.92)	(2.77)
ANALYSTS		-0.396	-0.418
		(-0.74)	(-0.78)
ASSETS		1.056*	1.042*
		(1.81)	(1.78)
COVID_EXPOSURE		--	0.162
			(0.38)
COVID_RISK		--	-0.129
			(-0.30)
COVID_SENTIMENT		--	0.207
			(0.48)
COVID_EXPOSURE_LATEST		0.277	0.253
		(0.73)	(0.66)
COVID_SENTIMENT_LATEST		0.422	0.440
		(1.12)	(1.16)
COVID_RISK_LATEST		0.292	0.299
		(0.77)	(0.79)
FINANCIAL_LEVERAGE		-0.432	-0.419
		(-0.73)	(-0.71)
INDUSTRY_DISPERSION		-0.193	-0.208
		(-0.36)	(-0.38)
LITIGATION_RISK		-1.378***	-1.362***
		(-2.78)	(-2.70)
MTB		0.401	0.386
		(0.67)	(0.65)
ROA		-0.886**	-0.904**
		(-2.07)	(-2.12)
SALESGROWTH		1.043**	1.026**
		(2.40)	(2.34)
Observations		180	180
Pseudo. R-Sq^2		14.4%	14.6%

Table 10 presents the results of multiple logistic regressions. We report standardized coefficient estimates, and *t*-statistics in parentheses. *, **, and *** denote statistical significance (two-tailed, or one-tailed if a prediction is made) at the 10%, 5%, and 1% levels, respectively. All variables are defined in Appendix A.