

THE NATIONAL INVESTOR RELATIONS INSTITUTE'S  
**EXECUTIVE ALERT**  
UPDATES ON ISSUES VITAL TO THE PRACTICE OF INVESTOR RELATIONS

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**NIRI Issues 2005 Survey Results on Earnings Guidance Practices**

A survey of 527 NIRI corporate members on current earnings guidance practices found a decline in the percentage of companies providing earnings guidance to 71% from 77% in December 2003. Moreover, the survey identified major shifts in the information supplied by companies that do provide guidance:

- The percentage furnishing annualized guidance increased significantly to 61% from 38% in the previous survey.
- Some 61% also provide quarterly guidance, down from 75%.
- Those companies that provide only quarterly guidance declined to 28% from 53%.
- There was a major increase in those that provide only annualized guidance – to 28% from 16%.

For purposes of this survey, earnings guidance is defined as a range of EPS estimates, which 80% of companies offering guidance provide, up from 75%; a point EPS estimate, which only 5% now provide, down from 9%; revenue estimates, down to 60% from 67%; or an earnings model, which 10% provide, the same as in the previous survey (respondents could check more than one form of guidance).

Signifying a trend, 93% of companies providing guidance now update their earnings guidance to reflect a material change, up from 80% in 2003. The means most used for publicly releasing updated guidance is a news release (83%), a fully accessible conference call (40%), and furnishing it in a Form 8-K filing (48%).

While 64% say they are not considering dropping earnings guidance, down from 78% in 2003, 47% believe if they were to, it would have no effect on their analyst following. Thirty-two percent said it would have some impact and only 2% said they would lose analyst coverage altogether.

When asked if halting earnings guidance would encourage analysts to take a longer-term view of their company's prospects, 50% said they would not and 44% thought they might.

The complete survey results are:

## **SECTION 1**

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### **1.1 Does your company provide earnings guidance in the context of a range of EPS, an EPS point estimate, an earnings model or revenue guidance?**

71% Yes  
29% No

## **SECTION 2 (Responses of those that said they provide earnings guidance)**

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### **2.1 Which of the following types of earnings guidance do you disclose? (Check all that apply)**

80% A range of earnings per share  
5% An EPS point estimate  
60% Revenue guidance  
10% An earnings model  
30% Other

### **2.2 How often do you provide guidance?**

28% Quarterly only  
28% Annually only  
33% Both  
11% As needed

### **2.3 How do you currently provide earnings guidance? (Check all that apply)**

88% Fully accessible conference call  
83% Quarterly conference call  
51% 8-K  
27% 10-Q or 10-K  
9% Quarterly fully accessible conference call but NOT in the earnings release  
8% Other

### **2.4 Do you update earnings guidance during the quarter or year if there is a material change? (Check all that apply)**

83% Yes, in a news release  
48% Yes, in an 8-K filing  
40% Yes, in a fully accessible conference call  
7% No, we do not update guidance if there is a material change

**2.5 Do you believe most analysts want earnings guidance and, if so, how often?**

- 67% Yes, quarterly and annually
- 16% Yes, annually
- 15% Yes, quarterly
- 2% No, they do not want earnings guidance

**2.6 What form of earnings guidance do you believe they prefer? (Check all that apply)**

- 60% A range of EPS
- 44% Revenue estimates
- 33% An earnings model
- 14% A point EPS estimate
- 18% Other

**2.7 If your company is currently providing quarterly guidance, are you considering moving to annualized guidance?**

- 44% No
- 31% Not providing quarterly guidance
- 10% Not sure
- 8% Yes
- 7% No response

**2.8 Is your company considering discontinuing earnings guidance?**

- 64% Not considering discontinuing earnings guidance
- 36% Considering discontinuing earnings guidance

**2.9 If your company is considering discontinuing earnings guidance, who first raise the issue?**

- 53% Senior management
- 20% Board of directors
- 15% Investor relations officer
- 11% Other
- 1% Outside counsel

**2.10 If you were to discontinue providing some form of earnings guidance, what do you think would happen to your analyst coverage?**

- 47% Would have no effect on our analyst following
- 32% Would lose some analyst following
- 12% Other
- 2% Would lose analyst coverage all together
- 7% No response

**2.11 If you were to no longer provide earnings guidance, would this likely result in analysts taking a longer term view of your company's prospects?**

50% No  
44% Yes  
6% Not sure

**2.12 On a scale from 1 to 5, do you care if analysts want earnings guidance? (1 – least care; 5 – most care)**

19% 5  
42% 4  
28% 3  
8% 2  
3% 1

**2.13 What other forms of guidance do you provide that may assist analysts in arriving at their estimates? (Check all that apply)**

77% Qualitative statements about market conditions  
73% Trend information that may impact the business of your company  
57% Industry specific information  
55% Quantitative information on business measures and/or assumptions  
50% Estimates or forecasts of factors that may drive your earnings but not all factors that might be in your internal financial forecast  
45% Qualitative statements about high-level performance measures  
6% Other

**SECTION 3 (Those who said they do not provide earnings guidance)**

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**3.1 Do you provide non-earnings guidance that may assist analysts in arriving at their estimates? (Check all that apply)**

80% Qualitative statements about market conditions  
69% Trend information that may impact the business of your company  
58% Industry specific information  
51% Quantitative information on business measures and/or assumptions  
51% Qualitative statements about high-level performance measures  
49% Estimates or forecasts of factors that may drive your earnings but not all factors that might be in your internal financial forecasts  
9% Other

### 3.2 If you do not currently provide earnings guidance, when did you stop?

- 57% Never provided earning guidance
- 28% Over 12 months ago
- 9% In the past six months
- 3% In the past 12 months
- 3% No response

## SECTION 4: Demographics of respondents

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### 4.1 What is your company's market cap size?

- 17% Over \$10 billion
- 9% \$5 to \$10 billion
- 29% \$1.5 to \$4.9 billion
- 27% \$500 million to \$1.49 billion
- 14% \$100 to \$400 million
- 4% Under \$100 million

### 4.2 On what exchange is your company listed?

- 63% NYSE
- 34% Nasdaq
- 1% AMEX
- 1% Foreign
- 1% Other

### 4.3 How many analysts currently cover your company?

- 1% Over 50
- 1% 41-50
- 3% 31-40
- 11% 21-30
- 31% 11-20
- 51% 1-10
- 2% None

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