Do Firms Get "Stuck" Issuing Quarterly Earnings Guidance?

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Abstract

Theory suggests that establishing a disclosure precedent creates investor expectations, making subsequent cessation costly as markets assume managers are withholding negative news. We investigate whether anticipation of this cost results in firms becoming "stuck" issuing quarterly earnings guidance—continuing to guide when they would otherwise want to exit. We exploit the COVID-19 pandemic as a natural experiment where market penalties for withdrawing guidance were suspended. We find that a significant number of firms discontinued guidance during the pandemic. Further, in contrast to typical stoppers, firms that stopped guidance following the pandemic exhibited positive accounting and stock return performance, suggesting they were strong performers previously deterred from stopping guidance because of anticipated market penalties. In addition, prior to the pandemic these firms reported more frequent earnings misses and exhibited greater investor fixation, consistent with a desire to exit the guidance game. Our findings suggest a form of reluctant or "involuntary" voluntary disclosure.

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1. Introduction

Academics and business leaders have long advocated for companies to pare back their forward-looking guidance issuance, arguing that guidance causes corporate managers to overly focus on the short-term (Fuller and Jensen, 2002; Jensen et al., 2004; Dimon and Buffett, 2018). Yet, a broad cohort of publicly listed companies continue to issue guidance. Theory suggests one reason for the continued prevalence of voluntary disclosure is that it creates an implicit commitment with investors to provide ongoing communication (Einhorn and Ziv, 2008). Consequently, discontinuing a previously established disclosure practice, such as quarterly earnings guidance, can be costly. Rational investors, facing imperfect information, may interpret the cessation of earnings guidance as a signal that the firm possesses and is withholding negative private information (Verrecchia, 1983; Dye, 1985). As a result, firms that discontinue the issuance of quarterly earnings guidance often face a market penalty upon cessation (Chen et al., 2011).

We investigate whether an anticipated market penalty for stopping quarterly earnings guidance encourages firms to continue the practice when they would otherwise prefer to discontinue providing these disclosures. The central premise of this study is that some firms are "stuck" in the quarterly guidance game, wherein the firm's managers believe the benefits of continued guidance no longer outweigh its costs but continue issuing guidance in order to avoid the negative inference about future performance—and the associated market penalty—that typically accompanies guidance cessation. Thus, these firms would prefer to discontinue the practice of issuing quarterly earnings guidance, not to withhold negative news, but for reasons independent of their private information about their future prospects (e.g., their disclosure costs are high or because of a strategic shift towards a long-term focus). Against this backdrop, we ask

whether the fear of a market penalty results in a pattern of reluctant or "involuntary" voluntary disclosure.

To empirically examine this issue, we first must identify firms constrained by market penalties. Doing so is challenging, as managerial motivations for continuing guidance are unobservable. However, the COVID-19 pandemic offers a unique quasi-natural experiment to examine this issue. The sudden onset of extreme macroeconomic uncertainty in early 2020 created conditions where investors did not interpret guidance withdrawals as a negative signal about future firm performance.[1] Hope et al. (2022) focus on firms recalling outstanding forecasts issued prior to the March 2020 onset of the pandemic and highlight that the pandemic's initial shock provided a window where the usual negative inferences from withholding guidance were suspended. We exploit this phenomenon to examine whether firms leveraged the COVID-19 pandemic to indefinitely cease their quarterly earnings guidance activity, discontinuing a disclosure practice they previously felt constrained to follow.

Our identification strategy focuses on firms that regularly provided quarterly earnings guidance before the pandemic and suspended it during the initial onset of the pandemic. 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. We posit that while some of these firms only temporarily paused the issuance of guidance, a substantial number took advantage of the opportunity created by the pandemic to cease issuing earnings guidance as a matter of practice without incurring a market penalty for doing so.

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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.

We first document a significant increase in guidance cessation during the pandemic. Of the 180 firms that regularly issued guidance prior to the pandemic and suspended guidance at the onset of the pandemic, 70 (39%) had not resumed by the end of 2021.[2] This guidance discontinuation rate is more than threefold the baseline rate observed from 2010-2019, supporting our prediction that an abnormally large number of firms stopped their practice of issuing quarterly earnings guidance at the onset of the pandemic.

We then compare the subsequent performance of firms that stopped issuing guidance during the pandemic to the performance of firms that stopped in the years prior to the pandemic (i.e., 2010-2019). Consistent with disclosure theory that indicates managers disclose (withhold) good (bad) news (Verrecchia, 1983; Dye, 1985), empirical research suggests that private information about poor future performance is a primary determinant of the decision to stop guidance (e.g., Houston et al., 2010; Chen et al., 2011). For example, Chen et al. (2011) finds firms that stop guidance experience negative abnormal returns over the subsequent year, consistent with guidance stoppages signaling poor future performance. Importantly, these studies examine samples of firms that stopped guidance despite the potential market consequences of doing so. In our setting, however, if the firms that stopped issuing guidance at the onset of the pandemic were high-performing firms that viewed the pandemic as an opportunity to stop quarterly guidance without a market penalty (rather than poorly performing firms withholding bad news), they would be less likely to exhibit poor performance in the period following stopping guidance.

Consistent with our prediction, we find that the post-stoppage abnormal returns (subsequent 6-month and 12-month returns) of firms that stopped guidance during the pandemic

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[2] Our primary definition of a "stopper" requires at least five consecutive quarters of non-guidance following the initial suspension. This is comparable to, or more conservative than, definitions in prior literature requiring four quarters of non-guidance (e.g., Houston et al., 2010; Chen et al., 2011; Kim et al., 2017).

are significantly *positive*, whereas the subsequent returns of firms that stopped guidance between 2010 and 2019 are consistently *negative*. We also find that firms that stopped guidance during the pandemic exhibit stronger accounting performance (i.e., higher change in ROA, lower frequency of incurring a subsequent loss) than firms that stopped issuing guidance in prior years.

We further predict that firms previously constrained from discontinuing earnings guidance by market penalties—and thus more likely to stop guidance during the pandemic—would exhibit pre-pandemic characteristics indicative of lower net benefits from issuing guidance. Consistent with this intuition, among the 180 firms that initially suspended guidance at the onset of the pandemic, the 70 stoppers had lower pre-pandemic 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) and experienced greater pre-pandemic investor fixation on quarterly earnings (e.g., Bushee, 2001; Kim et al., 2017; Call et al., 2024). Further analysis shows that prior to the pandemic, analysts covering these stopper firms also exhibited weaker forecast revisions in response to quarterly earnings guidance (Jennings, 1987; Cotter et al., 2006). Collectively, this evidence suggests that firms with lower net benefits from guidance used the opportunity presented by the pandemic—a time when the market penalty for guidance cessation was suspended—to discontinue the practice.

Our study yields three main insights. First, an unusually high proportion of firms discontinued quarterly earnings guidance during the pandemic, with the number of firms stopping guidance more than triple the typical annual rate since 2010. Second, unlike typical guidance stoppers, these firms generated positive stock returns and exhibited strong accounting performance in the period after guidance cessation. Third, these stopper firms exhibited pre-pandemic characteristics consistent with lower net benefits from guidance. Together, these results suggest

that market penalties typically associated with guidance cessation discourage firms from discontinuing this voluntary disclosure practice, leading them to reluctantly issue guidance, consistent with theory.

A key aspect of our argument is that firms could discontinue guidance during the pandemic without incurring the typical penalty (Hope et al., 2022). However, we also consider whether the market applied a delayed penalty as it became clearer that some firms were not planning to resume guidance. In additional analyses, we find no evidence of a delayed market penalty for these stopper firms around their 2021 earnings announcements, which may be because by 2021, investors had already also observed the relatively strong performance of these stopper firms and concluded that the lack of guidance was not related to a desire to withhold bad news.

We also find that the firms that stopped issuing quarterly earnings guidance during the pandemic reduced their Sales and EBITDA guidance and did not substitute quantitative EPS guidance with increased qualitative forward-looking statements (Bozanic et al., 2018). However, these firms mostly continued providing CAPEX guidance. Together, these results are consistent with a desire to reduce earnings pressure while signaling long-term investment. These firms also subsequently experienced a decrease in abnormal trading volume around earnings announcements, an outcome consistent with reduced investor fixation and the alleviation of earnings pressure.

Our study advances the voluntary disclosure literature by providing evidence that market penalties for ceasing disclosure can create inertia, causing firms to become "stuck" in disclosure practices they might otherwise abandon. Theory suggests that voluntary disclosure creates implicit commitments, making cessation costly as investors may infer that managers are withholding 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 potentially inappropriate penalty has proven challenging, and the COVID-19 pandemic provides a unique setting to examine how firms adjust disclosure when market penalties are temporarily suspended. Similar to the literature on the stickiness of dividend declarations, our findings highlight that one cost of providing voluntary disclosures is that doing so creates a commitment to ongoing disclosure that can become constraining for disclosing firms. Relatedly, our evidence supports the notion that some corporate managers continue issuing guidance because they do not perceive an available off-ramp to unwind their guidance policies.

Our findings also extend research on COVID-19's impact on financial reporting and disclosure practices (e.g., deHaan et al., 2023). While Hope et al. (2022) document widespread guidance withdrawals at the onset of the pandemic (e.g., "we previously suggested that 2020 Q2 EPS would be $1.10, but we are now withdrawing that forecast"), we show substantial heterogeneity in firms' subsequent disclosure choices. Among firms suspending quarterly earnings guidance in spring of 2020, nearly 40% discontinued as opposed to temporarily suspended the practice. These results suggest the pandemic provided firms an opportunity to adjust their disclosure policies, particularly benefiting those seeking to step away from quarterly earnings guidance.

2. Theoretical Framework and Hypothesis Development

2.1 Theoretical Foundations

Firms' voluntary disclosure choices, particularly the practice of issuing quarterly earnings guidance, remain a central topic of public debate (Graham et al., 2005; Krehmeyer et al., 2006; Dimon and Buffett, 2018). Prior research (e.g., Houston et al., 2010; Chen et al., 2011) establishes that guidance cessation is often associated with poor performance, leading to negative stock returns

consistent with adverse selection theories (Verrecchia, 1983; Dye, 1985; Einhorn and Ziv, 2008). We extend this literature by examining whether certain firms get "stuck" issuing quarterly earnings guidance. Specifically, we argue that firms are deterred from discontinuing quarterly earnings guidance out of fear guidance cessation would be misperceived by the market as a signal that they have private information about poor future performance.

Einhorn and Ziv (2008) argue that past voluntary disclosures create an implicit commitment to provide similar disclosures in the future. Firms that establish a regular practice of issuing guidance develop a reputation for being informed and for having relatively low disclosure costs. Consequently, discontinuing guidance can be costly. Drawing upon models where managers strategically withhold unfavorable news below a certain threshold (Verrecchia, 1983; Dye, 1985; Jung and Kwong, 1988), Einhorn and Ziv (2008) show that for firms with established disclosure reputations, rational investors interpret cessation as a negative signal. Consistent with Einhorn and Ziv (2008), Chen et al. (2011) document a substantial drop in stock price when firms with a pattern of providing guidance discontinue the practice.

Even in the absence of private information about poor future performance, managers may be motivated to discontinue their guidance activity for any one of several reasons. For example, producing reliable forecasts can be an expensive and time-consuming process (Hsieh et al., 2006). Firms might also stop guidance as a strategy to reduce potential conflicts between managers and shareholders. Research shows that a company's disclosure choices can influence its actual operational and investment decisions over time, not just its stock price (Kanodia and Sapra, 2016), and these disclosure strategies are intertwined with how managers are motivated over multiple periods (Hughes and Pae, 2015). In addition, the intense pressure to meet quarterly guidance targets can lead managers and investors to focus too much on short-term results. This myopic

behavior could involve cuts to important long-term investments, which can boost earnings in the short term and help the firm meet market expectations, but ultimately harm the company's long-term value (Bushee, 1998; Graham et al., 2005; Bhojraj et al., 2009).

Managers with such motivations to discontinue quarterly earnings guidance face a potential dilemma. While their true motivation for cessation is unobservable to investors and difficult to credibly signal in real time, investors facing this information asymmetry may rationally (although sometimes incorrectly) draw a negative inference about the firm's decision to discontinue guidance, pooling the firm with others that stop issuing guidance because of private information about poor future performance. This pooling can lead to a negative market reaction to the decision to stop issuing guidance, even if the firm is not withholding negative news and even if the decision to discontinue guidance is in the firm's long-term best interests.

This risk of a market penalty is not likely a primary concern for firms that truly have private information about negative future prospects for the firm that will eventually be realized and become public. However, concerns of a market penalty are likely more salient for firms that have other motivations for discontinuing their guidance practice, creating a form of disclosure inertia where firms become "stuck" in a disclosure pattern. Although a stock price penalty applied to these firms could reverse as investors learn over time that guidance cessation was not due to the withholding of bad news, both theoretical and empirical work provide support for managerial sensitivity to short-term stock price movements (e.g., Stein, 1988; Fama, 1980; Narayanan, 1985; Skinner, 1994; Rogers and Van Buskirk, 2009; Graham et al., 2005). Consequently, the anticipation of a negative market response can deter managers from discontinuing disclosure practices they would otherwise abandon.

2.2 COVID-19 and the Suspension of a Market Penalty (Prediction 1)

It is challenging to empirically determine whether firms that voluntarily issue guidance are "stuck" in the practice because it is difficult to discern managers' private motivations for providing regular guidance. The onset of the COVID-19 pandemic, however, provides a unique quasi-natural experiment for examining this phenomenon. In particular, the sudden macroeconomic uncertainty that the pandemic introduced led to widespread guidance withdrawals where firms backed away from forecasts they had previously issued (Aaron et al., 2021; Hope et al., 2022). Importantly, market participants largely attributed deviations from typical guidance activity to heightened uncertainty rather than to any negative firm-specific information about future performance that managers were withholding (Hope et al., 2022). As a result, the negative market response to guidance cessation was temporarily paused (we formally provide evidence on the lack of a penalty for our sample firms in Section 5.5).

This temporary pause to the negative market response to stopping guidance created an opportunity for firms to discontinue the practice without investors making negative inferences about the private information the firms' managers possessed. Thus, if firms get "stuck" issuing quarterly earnings guidance, then we would expect a substantial increase in the rate of guidance cessation at the onset of the pandemic compared to historical baseline rates. Note that this argument does not just imply that firms would temporarily withdraw their quarterly earnings guidance during the very early stages of the pandemic but suggests that firms would not resume this practice over a more extended period of time, even after pandemic-related uncertainty subsided. Therefore, we make the following prediction:

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

2.3 Post-Cessation Performance (Prediction 2)

Disclosure theory (Verrecchia, 1983; Dye, 1985) and empirical evidence (Houston et al. 2010; Chen et al., 2011) suggest that firms generally stop guiding when anticipating poor future performance, leading to negative abnormal returns in response to guidance cessation. However, we posit that many firms that stopped issuing guidance during the pandemic were not motivated by a desire to withhold bad news and were exited the practice for other reasons. Thus, in contrast to the poor future performance exhibited by firms that discontinued guidance in prior periods, we expect non-negative (or even positive) abnormal returns and accounting performance for COVID-era stoppers.

> **P2**: *The firms that discontinued the practice of issuing quarterly earnings guidance during the COVID-19 pandemic had better accounting and stock return performance in the subsequent year than the firms that stopped guidance in the years prior to the COVID-19 pandemic.*

2.4 Characteristics of Firms Discontinuing Guidance During the Pandemic (Prediction 3)

If firms were "stuck" issuing quarterly earnings guidance prior to the pandemic, then the firms choosing to discontinue guidance during the pandemic should possess *pre-pandemic* characteristics indicative of lower benefits (or higher costs) of guidance. Based on prior literature considering the costs and benefits of guidance, we focus on three key areas. First, managing analyst expectations is often cited as a key benefit of guidance (Ajinkya and Gift, 1984; Cotter et al., 2006; Call et al., 2024). However, firms finding it difficult to effectively guide analyst forecasts toward achievable targets, as evidenced by either less success in meeting analysts' consensus estimates or weaker analyst forecast revisions in response to their guidance (Matsumoto, 2002; Feng and Koch, 2010), likely derive fewer benefits from issuing guidance.

For this prediction, we compare COVID stoppers to COVID pausers (rather than to pre-COVID stoppers) because both groups of firms had similar opportunities to adjust their guidance

practices in the face of the pandemic. As a result, this comparison allows us to isolate the pre-pandemic characteristics that distinguish firms that chose to discontinue quarterly earnings guidance from those that only temporarily paused earnings guidance, holding constant the environment that existed at the time. Therefore, we make the following prediction:

> **P3a***: The firms that discontinued the practice of issuing quarterly earnings guidance during the COVID-19 pandemic had been less successful in managing analyst expectations prior to the pandemic relative to firms that only temporarily paused issuing quarterly earnings guidance.*

Second, issuing guidance creates performance targets against which management is judged. Failing to meet their own guidance can damage managerial credibility, reputation, and potentially compensation (Skinner, 1994; Graham et al., 2005; Call et al., 2024). Therefore, the costs associated with guidance are higher for firms that frequently miss their own forecasts (Feng and Koch, 2010), and if these firms were previously deterred from discontinuing guidance only because of the potential market penalty associated with stopping, the COVID-19 pandemic provided them the opportunity to exit. We make the following prediction:

> **P3b**: *The firms that discontinued the practice of issuing quarterly earnings guidance during the COVID-19 pandemic had been less successful in meeting or beating their own guidance relative to firms that only temporarily paused issuing quarterly earnings guidance.*

Third, providing quarterly earnings guidance can exacerbate short-termism and the associated agency costs (Bushee, 1998, 2001; Graham et al., 2005). Managers facing high investor fixation on short-term results may perceive this as a significant cost of guidance and desire to stop the practice in order to encourage a longer-term orientation (Kim et al., 2017). If these guidance firms were deterred from exiting for fear of a market penalty, the COVID-19 pandemic would have provided an opportunity to align their disclosure policy with their preference for reducing myopia-inducing pressures. We therefore predict:

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P3c: *The firms that discontinued the practice of issuing quarterly earnings guidance during the COVID-19 pandemic had more investor fixation on quarterly earnings result relative to firms that only temporarily paused issuing quarterly earnings guidance.*

3. Sample and Descriptive Statistics

For our empirical analysis, 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, as detailed in Table 1. This results in 372 firms that regularly issued quarterly guidance prior to the pandemic. To address potential confounding effects due to delisting or bankruptcy, we remove firms that entered or exited the Compustat universe between 2018 and 2021, reducing our sample to 339 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 322 regular guiders, we identify firms that at least temporarily 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 with nonmissing control variables that regularly issued guidance during 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 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 that temporarily paused guidance at the onset of the pandemic but had resumed issuing quarterly earnings guidance by the end of 2021. Exhibit 1 illustrates our approach using two hypothetical guidance firms, Firm A and Firm B, 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, Firm B restarted issuing guidance in Q1 of 2021 (*STOPPER* = 0) while Firm B had not issued any guidance through 2021 (*STOPPER* = 1).

Figure 1 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 (*STOPPER* = 0), and (iii) stopped guidance (*STOPPERS* = 1). 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, at least temporarily.[3] Of those that suspended guidance, a substantial portion (39%) stopped issuing quarterly earnings guidance.

Table 2 provides descriptive statistics for the various samples we use in our analyses, including the 180 firms that suspended guidance. For these 180 firms, the statistics indicate that, on average, these firms have approximately \$3.5 billion in total assets, a market-to-book ratio of just over three, and approximately 10 analysts following the firm (see Panel B). 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 that Hope et al. (2022) identified as having withdrawn guidance at the beginning of the pandemic.

4. Results

4.1 Prediction 1 – Stopping Guidance Over Time

To provide 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

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[3] To facilitate comparison with our multivariate analyses, we include in Figure 1 the 312 firms for which we have nonmissing control variables to estimate our main regressions. This is a strict subset of the 339 firms with Compustat data for Q3 or Q4 of 2021 in Table 1 with nonmissing control variables.

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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 stopped issuing guidance. Our first prediction is there was a spike in the number of firms stopping quarterly earnings guidance in the first two quarters of 2020.

Figure 2 presents the results related to our first prediction. Consistent with our expectations, we observe the number of regular guidance firms that stopped issuing guidance is considerably higher during the first quarters of the COVID-19 pandemic than in any other quarter during the preceding ten years. Further, the number of firms discontinuing guidance drops back down to pre-pandemic levels after the first months of the pandemic. Thus, an unusual number of firms discontinued their practice of issuing quarterly earnings guidance at the onset of the pandemic, consistent with Prediction 1.

The timing of the resolution of pandemic-related uncertainty is an important aspect of our research setting, as the pandemic would no longer motivate firms to withhold guidance once this uncertainty had dissipated. 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 3 (Baker et al., 2016). We denote Q4 of 2021—the quarter by which firms needed to resume issuing guidance to be labeled as temporarily pausing as opposed to stopping guidance per our research design—with a vertical dotted 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 uncertainty due to the pandemic was their only motivation for pausing guidance. We address the possibility that pandemic-related uncertainty remained high for some firms by including control variables that capture firm-sensitivity to COVID in relevant regression analyses.

4.2 Prediction 2 – Future Performance of Firms Stopping Guidance

We test Prediction 2 by comparing the future performance of firms stopping guidance at the onset of the pandemic with the future performance 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 guidance cessation, separately for firms that stopped issuing guidance during the pandemic and for firms that stopped issuing guidance during the 2010-2019 window. We measure abnormal returns as the firms' stock returns (adjusted for dividends) less the value-weighted market return over the same period. Thus, our measure of abnormal returns considers the market conditions that existed at the time for the stopping firm in question. We also compare the post-cessation accounting performance of these firms, where accounting performance is measured as the changes in return on assets and whether the firm incurred a loss.

Table 3 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. We regress the various measures of future performance 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) and (2) examine stock returns over the subsequent six-month and one-year periods,

respectively. Column (3) examines the change in return on assets, and Column (4) examines the change in the frequency of reporting a loss.

Consistent with our prediction, the coefficient on *COVID_STOPPER* is positive and significant in the first three columns and negative and significant in the column (4). 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 (Chen et al. 2011), while those that stopped guidance at the onset of the pandemic were not. [4]

Our next tests examine the future monthly buy-and-hold returns and quarterly accounting performance for firms stopping quarterly earnings guidance during COVID-19 with those stopping in the years preceding the pandemic. Specifically, we follow Chen et al. (2011) and examine the mean and median buy-and-hold returns from month 0 through 6 after firms stop quarterly earnings guidance. Table 4, Panel A 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 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. Panel B reports the means and medians of quarterly changes in ROA for COVID stoppers and non-COVID stoppers and provides additional evidence that COVID stoppers had stronger post-cessation accounting performance than non-COVID stoppers. These findings are consistent with our argument that high-performing firms were eager to stop issuing guidance and took advantage of the opportunity to do so during the COVID-19

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[4] In untabulated tests extending the future performance horizon to 24 months (N = 255), we continue to find similar results. Specifically, the coefficient on *COVID_STOPPER* remains significant in the predicted direction for abnormal returns ($p < 0.05$), change in ROA ($p < 0.10$) and change in the frequency of reporting a loss ($p < 0.10$).

pandemic when they were less likely to face a market penalty and be characterized as having private information about poor future performance.

4.3 Prediction 3 – Costs and Benefits of Issuing Guidance

4.3.1 Research Design

To test Predictions 3a, 3b, and 3c, we focus on the pre-stoppage characteristics of firms that suspended guidance at the onset of the pandemic. Specifically, we compare the firms that suspended guidance in early 2020 and did not restart issuing guidance through the end of 2021, with those that only temporarily suspended guidance in early 2020 but resumed issuing guidance by the end of 2021. We predict that the firms that discontinued guidance during the pandemic were accruing weaker benefits (and higher costs) to issuing guidance in the pre-COVID period relative to other firms that restarted their guidance activity. For this analysis, our benchmark firms are the firms that temporarily suspended guidance at the onset of COVID (rather than pre-COVID stoppers) because these firms were also faced the opportunity to discontinue guidance at the start of the pandemic when there was a temporary pause to the market penalty associated with doing so. Accordingly, we estimate the following logistic regression:

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

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*), firm size (*ASSETS*), the market-to-book ratio (*MTB*), financial leverage (*LEVERAGE*), growth in sales (*SALESGROWTH*), the number of analysts following the firm (*ANALYSTS*), litigation risk (*LITIGATION_RISK*), and the sector-related uncertainty induced by the pandemic (*UNCERTAINTY*).[5]

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[5] We compute *LITIGATION_RISK* using the parameters estimated in Kim and Skinner (2012) to avoid the generated regressor issue discussed in Chen et al. (2023).

We also include three controls for a firm's exposure to the COVID-19 pandemic: *COVID_EXPOSURE, COVID_RISK,* and *COVID_SENTIMENT*. These variables are developed in Hassan et al. (2023) and capture firm exposure, risk, and net sentiment related to the pandemic. Hope et al. (2022) use two of these measures, *COVID_EXPOSURE* and *COVID_SENTIMENT*, as proxies for firm exposure to the pandemic. These variables are important 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 control variables in our model, even though univariate statistics (untabulated) do not indicate that firms that stopped guidance were more affected by COVID-19 than firms that temporarily suspended issuing guidance.

4.3.3. Prediction 3 Results

Table 5 presents the results of our tests of Predictions 3a, 3b, and 3c. Relative to firms that only temporarily paused issuing guidance at the start of the pandemic, 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 short-term quarterly earnings. For ease of comparison, we report standardized beta coefficients.

For Prediction 3a, our variable of interest is *%_MB_ANALYST*, measured as the percentage of quarters that the firm met or beat the median analyst forecast during 2018 or 2019. Because one of the primary motivations of issuing earnings guidance is to manage analyst expectations (Call et al., 2024), we expect *%_MB_ANALYST* to exhibit a negative association with *STOPPER*. The results in Table 5 support this prediction. Specifically, the coefficient on *%_MB_ANALYST* is

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negative and significant, suggesting that firms that stopped guidance during the pandemic had been less successful in managing analysts' expectations prior to COVID-19.

Prediction 3b 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 that the firm met or beat its own guidance. Specifically, we measure the percentage of quarters when reported earnings is greater than the guidance (either the point forecast or the upper bound for range forecasts). The insignificant coefficient for *%_MB_GUIDANCE* in Table 5 is not consistent with this prediction.

Prediction 3c 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 using a common measure of investor attention, *ABN_EA_VOLUME*, derived as the average trading volume for the 3-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 issuing guidance than for firms that restarted guidance. Consistent with this prediction, the coefficient on *ABN_EA_VOLUME* is positive and statistically significant, suggesting that guidance firms with higher investor fixation on earnings prior to the pandemic were more likely to stop rather than pause guidance. [6,7]

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[6] The logistic regression results in Table 5 are robust to estimation using an OLS model (untabulated).

[7] Univariate differences (untabulated) show that COVID stoppers and restarters differ significantly ($p < 0.05$) primarily on *%_MB_ANALYST* and *ABN_EA_VOL* prior to the pandemic. Differences for the other independent variables are not statistically significant at conventional levels, with the exception of *ROA,* which is statistically lower for stoppers (0.048 vs. 0.074) and *SALESGROWTH,* which is statistically higher for stoppers (0.070 vs. 0.035).

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 high 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 5, the control variables *COVID_EXPOSURE, COVID_RISK,* and *COVID_SENTIMENT* are all statistically insignificant. This lack of significance suggests the decision to cease versus temporarily pause 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 5 provide evidence that firms that exited the guidance game during the pandemic were not enjoying the same benefits to guidance as were other guiding firms.

4.4.1. Additional Evidence on Prediction 3a

Prediction 3a states 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 this prediction, 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:

$$ANALYST_{REV_i} = \beta_0 + \beta_1 REVISION_i + \beta_2 STOPPER_i + \beta_3 DOWN_i +$$
$$\beta_4 REPUTATION_i + \beta_5 AGREE_i + \beta_6 REVISION \times STOPPER_i +$$
$$\beta_6 REVISION \times DOWN_i + \beta_8 REVISION \times REPUTATION_i +$$
$$\beta_9 REVISION \times AGREE_i + \varepsilon_i \qquad (2)$$

The variables are as defined in Feng et al. (2009), with the addition of an indicator variable, *STOPPER*, equal to one for firms stopping guidance during the pandemic, and equal to zero if the firm only temporarily paused issuing quarterly earnings guidance at the onset of the pandemic. *ANALYST_REV* captures the change in the analyst's forecast after the issuance of management guidance, and *REVISION* captures the change or revision to the management forecast itself. Thus, the coefficient on *REVISION* captures the sensitivity of analyst forecast revisions to management guidance news, or the alignment between management forecast news and the amount of that information analysts include in their own forecast revisions. To the extent that analysts were less responsive to the guidance issued by stopping firms, we predict that the coefficient on *REVISION* × *STOPPER* will be negative, consistent with these firms being more likely to have discontinued issuing earnings guidance during the pandemic. Table 6 presents the results from estimating equation (2). We find that consistent with our prediction, the coefficient on *REVISION* × *STOPPER* is negative and highly significant in each specification.[8]

Overall, the results related to Prediction 3, presented in Tables 5 and 6, indicate that the firms that stopped guidance during the pandemic are those that were less likely to have received some of the benefits firms typically anticipate (and more likely to have incurred some of the costs) from providing guidance in the years leading up to the pandemic. Nevertheless, these firms continued issuing guidance, and only stopped issuing quarterly earnings guidance at the beginning of the COVID-19 pandemic when they could do so without being labeled a poor-performing firm and incurring a market penalty.

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[8] The results in Table 6 are robust to using the 2018-2019 pre-pandemic period.

5. Additional Analysis

5.1 Was There a Delayed Penalty for Discontinuing Guidance?

A key aspect of our argument is that the COVID-19 pandemic provided a window for firms to discontinue issuing quarterly earnings guidance without incurring the typical market penalty associated with guidance cessation (Chen et al., 2011). While pandemic-related uncertainty likely muted any initial market response to suspending guidance (Hope et al., 2022), a natural question is whether a delayed penalty emerged as the pandemic subsided and these firms continued withholding guidance. If investors anticipated that these firms would resume issuing guidance when uncertainty declined, the continued absence of quarterly earnings guidance could have triggered a negative market response.

To investigate this issue, we examine market reactions around quarterly earnings announcements during calendar year 2021. By this time, as illustrated by various macroeconomic uncertainty indicators (see Figure 3), the extreme uncertainty of early 2020 had largely diminished, making it reasonable for investors to expect firms to resume their prior guidance practices. We measure stock returns around earnings announcements because the majority of earnings forecasts are bundled with earnings announcements. We estimate OLS regressions of 3-day cumulative abnormal returns (CARs) around earnings announcements on an indicator for *STOPPER* firms, interacted with indicators for each quarter of 2021, as well as an aggregated 2021 interaction. Specifically, we estimate the following regression:

$$CAR_i = \beta_0 + \beta_1 STOPPER \times Q1\_2021_i + \beta_2 STOPPER \times Q2\_2021_i +$$
$$\beta_3 STOPPER \times Q3\_2021_i + \beta_4 STOPPER \times Q4\_2021_i + \beta_5 UE_i +$$
$$\beta_k CONTROLS_i + \beta_j UE \times Firm\ Fixed\ Effects_i + \varepsilon_i \qquad (3)$$

The sample for this regression includes all earnings announcement quarters for guidance firms that either temporarily paused the issuance of quarterly earnings guidance at the onset of the pandemic (*STOPPER*=0) or discontinued this practice during the pandemic (*STOPPER*=1) (stoppers and pausers). We construct the sample to include firm-quarter observations between 2018-2021, as this is the main window we consider in defining stopper firms. In these tests, we control for typical determinants of earnings announcement returns.[9]

We present the results of this analysis in Table 7. For brevity, we report only the coefficients of the variables of interest: the $STOPPER \times QN\_2021$ interaction terms. Across specifications, we find no statistically significant negative coefficient on the interactions between *STOPPER* and the four 2021 quarters.[10] This suggests that, on average, firms that ceased guidance during the pandemic did not experience a delayed market penalty even when their non-disclosure continued for an extended period of time.

While we interpret this null result with caution given the small sample size, the absence of even a delayed market penalty is consistent with our theoretical argument. The market penalty for discontinuing guidance is typically predicated on the assumption that guidance cessation signals managers' private information about poor future performance. However, as our results for Prediction 2 demonstrate, COVID stoppers, on average, exhibited positive stock returns and relatively strong subsequent accounting performance throughout 2020 and into 2021. Thus, by the time investors might have concluded that non-disclosure was more than a temporary pause, they

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[9] We control for unexpected earnings, the number of analysts following the firm, the log of total assets, analyst forecast dispersion, earnings volatility, financial leverage, an indicator for reporting a loss, the market-to-book ratio, an indicator for non-December fiscal year-ends, a non-linear transformation of unexpected earnings, an indicator for fourth-quarter announcements, earnings persistence, and the root mean square error from the persistence regression. We incorporate time and firm fixed effects and interact unexpected earnings with each firm fixed effect (Breuer and deHaan, 2024).

[10] The findings in Table 7 are robust to alternative specifications. For instance, results are qualitatively similar when we include additional firm-level controls for COVID exposure and when we interact unexpected earnings with the time-varying control variables as opposed to the firm fixed effects (results available from the authors upon request).

would have also observed that the firm was exhibiting relatively strong performance, lessening the likelihood that non-disclosure would be interpreted as indicative of poor future performance. Therefore, our findings suggest that the unique conditions of the pandemic allowed these firms to discontinue their quarterly earnings guidance without incurring the typical market penalty.

5.2 Other Guidance Activity During the COVID-19 Pandemic

To better understand the scope of disclosure changes among the firms that discontinued quarterly earnings guidance during the pandemic, we examine other guidance activities of these firms at this time. Doing so helps assess whether firms were broadly retreating from forward-looking communication or discontinuing only short-term quarterly earnings guidance.

We examine guidance for several key non-earnings items: Sales, EBITDA, and CAPEX. Figure 4 presents the number of stopper and pauser firms issuing each type of guidance from Q1 2018 through Q4 2021. For Sales (Panel A) and EBITDA guidance (Panel B), the patterns indicate that both stoppers and pausers reduced Sales and EBITDA guidance at the onset of the pandemic. Subsequently, however, pausers largely return to their pre-pandemic guidance levels for both Sales and EBITDA guidance, while stoppers exhibit only a partial recovery in Sales and an even more muted recovery in EBITDA guidance, remaining well below their pre-pandemic levels. Thus, the firms that discontinued issuing quarterly earnings guidance during the pandemic also largely scaled back their guidance of Sales and EBITDA, although the same is not true for firms that only temporarily paused quarterly earnings guidance at this time.

The pattern for CAPEX guidance (Panel C) is notably different from the patterns for Sales and EBITDA guidance. While there was a moderate reduction in CAPEX guidance by both stoppers and pausers in 2020 when pandemic-related uncertainty was at its peak, guidance levels for both sets of firms returned to their pre-COVID levels during 2021. This pattern suggests that

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decisions around forecasting longer-term investments were distinct from those concerning quarterly earnings and its components. We also note that continuing to provide capital expenditure forecasts is consistent with these firms aiming to reduce investor fixation on earnings while signaling their commitment to long-term value creation. Overall, our analysis of non-earnings guidance indicates that stopper firms reduced their guidance activity across multiple (but not all) non-earnings-related metrics.

While our primary analyses focus on quarterly forecasts, we also investigate the extent to which the decision to discontinue quarterly guidance extends to annual guidance. Many of the costs associated with issuing guidance, though likely more pronounced for quarterly forecasts, also apply to annual forecasts. For example, the internal costs required to prepare and disclose guidance apply to both quarterly and annual guidance.

Of the 180 firms that regularly provided quarterly guidance in 2018 and 2019 and suspended guidance in 2020, 123 also provided annual guidance in 2018 and 2019. Of these 123 firms, 46 stopped issuing quarterly guidance at the onset of the pandemic (the other 77 only temporarily paused guidance), and of these 46 firms, 33 also stopped issuing annual guidance. Thus, for a substantial portion of quarterly stoppers, the decision to exit the quarterly guidance game was accompanied by a broader pullback from annual earnings guidance.

5.3 Qualitative Forward-Looking Statements

We also consider whether firms that stopped issuing quarterly earnings guidance made a substitution in favor of qualitative forward-looking statements (Bozanic et al., 2018). If so, these firms might not have been exiting the guidance game altogether, but simply adjusting the form of guidance. To investigate this issue, we analyze changes in the forward-looking statements (FLS) of quarterly earnings press releases for our sample of firms.

We measure FLS activity using the methodology outlined in Bozanic et al. (2018), which involves textual analysis of earnings press releases to quantify the extent of forward-looking language. We identify sentences containing forward-looking keywords and phrases (e.g., "expect," "will," "anticipate," "outlook") and further categorize a subset as earnings-related FLS.[11] Figure 5, Panel A presents the average number of FLS throughout the sample period. While both groups show some variation. After the pandemic, guidance stoppers exhibit a slight dip and then a generally flat trend in their average number of FLS. In contrast, pausers show a slight *increase* in their overall FLS. These patterns do not support the notion that stoppers compensated for the lack of quantitative earnings guidance by increasing the volume of qualitative forward-looking commentary.

In Panel B, we focus specifically on the number of earnings-related FLS. We find that both stoppers and pausers decrease their earnings-related FLS during the peak uncertainty of 2020. However, in 2021, firms that restarted issuing quarterly earnings guidance increased their earnings-related FLS, reverting back towards the pre-pandemic level. Firms that discontinued issuing quarterly earnings guidance, however, remained at lower levels of earnings-related FLS. In unreported plots, we find that quantitative earnings-related FLS show an even greater divergence between these two sets of firms.

In sum, contrary to the possibility that managers substituted qualitative guidance for quantitative guidance, our evidence suggests that firms classified as stoppers generally exhibit a decrease in their number of forward-looking statements compared to their pre-pandemic levels and relative to those firms that paused quarterly earnings guidance.

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[11] We follow Bozanic et al. (2018) and remove boilerplate sentences from earnings releases before conducting this analysis.

5.4 Was Stopping Guidance Beneficial?

In this section, we examine whether the firms that stopped issuing quarterly earnings guidance 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 5 suggesting greater investor fixation on earnings in the pre-pandemic period contributed to the discontinuation of earnings guidance, we examine whether our sample of guidance stoppers experienced reduced fixation on quarterly earnings results in the periods following guidance cessation. Specifically, we estimate the following regression:

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

$$\beta_4 ASSETS_i + \beta_5 LEVERAGE_i + \beta_6 MTB_i + \varepsilon_i \qquad (4)$$

We use abnormal trading volume, *ABN_EA_VOLUME*, as our measure of investor fixation on earnings (see the Appendix for specific variable definitions). 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.[12]

Table 8 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, suggesting that firms that stopped guidance at the beginning of COVID experienced relatively lower levels of abnormal trading volume around earnings announcements, consistent with a reduction of investor fixation. In columns (3) and (4), we augment our sample with all other Compustat firm-quarter

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[12] In untabulated analyses, we estimate equation (4) with capital expenditures, R&D intensity, and advertising expenses, separately, as dependent variables. We find no statistically significant differences for COVID stoppers in these discretionary spending variables, indicating that they did not increase investment after ceasing guidance.

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, these results and those in Table 5 are consistent with the firms that stopped guiding quarterly earnings around the pandemic exhibiting relatively high pre-pandemic investor fixation on earnings but experiencing reduced fixation after discontinuing quarterly earnings guidance.[13]

We also examine whether the discontinuation of quarterly guidance affected stopper firms' longer-term investments and discretionary expenditures, given the argument that quarterly guidance can induce myopic managerial behavior. In untabulated analyses, we estimate equation (4) with capital expenditures, R&D intensity, and advertising expenses, separately, as dependent variables. We do not find statistically significant evidence that COVID stoppers increased their long-term investment or advertising expenditures.

5.5 Robustness and Other Tests

We conduct several additional untabulated tests to evaluate the robustness of our results. First, we conduct the tests of Predictions 1-3 after removing stopper firms that restarted issuing guidance at any time before 2025. For this analysis, we continue to use the same benchmark observations as in our main analyses but remove *STOPPER* = 1 firms if they resumed guidance before the end of 2024 (i.e., *STOPPER* = 1 for firms that stopped guidance at the onset of the pandemic and did not restart guidance through 2024). For each of our predictions, we continue to

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[13] In untabulated analyses, we estimate a regression model similar to equation (3) and find no statistically significant differences in the post-discontinuance earnings informativeness of stopper and pauser firms. This helps alleviate the concern that the decrease in abnormal trading volume was the result of a decrease in earnings informativeness.

find similar results when we consider this more restrictive definition for stopping earnings guidance.

Second, while Hope et al. (2022) examine the market reaction to guidance withdrawals during March 2020 and find that the market did not impose a penalty on these disclosure shifts, we also formally examine whether the firms in our sample experienced a market penalty at the onset of the pandemic. In this analysis we estimate a similar specification to equation (3) but augment the equation by including an indicator variable for whether or not the firm suspended guidance at the onset of the pandemic. We also interact this indicator with indicator variables for the first, second, and third calendar quarters of 2020 to evaluate whether our sample firms had lower announcement returns than non-suspending firms in these quarters. For benchmark observations we include all Compustat firm-quarters within 2018-2021 with sufficient data. We do not find evidence that the market imposed a penalty on our sample firms during these quarters.

Third, while our main analyses focus on quarterly non-GAAP adjusted EPS, we also examine the patterns of forecast frequency for quarterly GAAP Per Share guidance and Net Income guidance among our sample firms. The trends for these metrics closely mirror that for non-GAAP EPS: pausers largely resumed providing these forms of bottom-line guidance in 2021, whereas stoppers generally did not resume issuing these forms of quarterly guidance. This suggests a comprehensive exit from the quarterly earnings guidance practice for these firms.

Fourth, we re-estimate equation (1) with an adjustment to the measurement of the variables capturing firm exposure to the COVID-19 pandemic. Specifically, we remeasure COVID sensitivity variables as of the latest quarter for which we have available data through the end of 2021. The coefficients on our primary variables of interest remain statistically significant.

6. Conclusion

Despite persistent criticism of quarterly earnings guidance, many firms continue this practice. We argue and seek to provide empirical evidence that firms with established guidance histories face pressure to continue issuing these voluntary disclosures because they anticipate that investors will interpret cessation as a negative signal about future performance and impose a market penalty.

The primary empirical challenge in testing this argument is distinguishing firms that would continue issuing guidance in the absence of a market penalty from firms that continue issuing guidance in order to avoid the market penalty associated with stopping. The COVID-19 pandemic provides a unique opportunity to examine this issue, as it introduced significant and unexpected economic uncertainty that allowed firms to pare back their guidance practices without incurring the normal stock price penalty. Hope et al. (2022) document widespread guidance withdrawals in the spring of 2020 that were not accompanied by the typical market penalties, as investors attributed the lack of voluntary disclosure to the heightened uncertainty rather than to any assumption that managers were in possession of negative private information.

Our evidence supports the idea that some firms remain in the "guidance game" reluctantly. First, we document an unprecedented increase in guidance cessation during the pandemic, suggesting many firms exploited pandemic-related uncertainty to break the commitment to disclosure. Second, 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 and also reported relatively favorable accounting results. Third, firms that stopped issuing guidance during the pandemic exhibited pre-pandemic characteristics consistent with facing higher costs and enjoying lower benefits of guidance, such

as less success in managing analyst expectations and greater investor fixation on quarterly earnings. In summary, this study provides empirical support for the argument that market penalties create a form of "involuntary" voluntary disclosure, where firms continue issuing guidance when they might otherwise prefer to exit the guidance game.

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Appendix
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 median analyst EPS forecast prior to the end of the fiscal period (*I/B/E/S*).
%_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*).
ABN_EA_VOLUME	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 the eight firm-quarter observations in 2018 and 2019.
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 pre-existing 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 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 (*I/B/E/S NUMEST*) in Table 5, and as of the designated firm-quarter in other tables.
ASSETS	The natural logarithm of total assets for the company's most recent fiscal year-end prior to March 2020 (Compustat *AT*) in Table 5, and as of the designated firm-quarter in other tables.
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*).

CHG_LOSS	The one-year ahead change in return on assets for the four quarters following guidance cessation.
CHG_ROA	The one-year ahead change in whether the firm reports a loss for the four quarters following guidance cessation.
COVID_EXPOSURE	Firm-level exposure to the COVID-19 pandemic for Q1, 2020 (see Hassan et al., 2023).
COVID_RISK	Firm-level COVID-19 related risk for Q1, 2020 (see Hassan et al., 2023).
COVID_SENTIMENT	Firm-level COVID-19 related sentiment for Q1, 2020 (see Hassan et al., 2023).
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.
EVOL	Earnings volatility, measured as the standard deviation of quarterly earnings before extraordinary items scaled by average assets over the preceding four years.
LEVERAGE	Total assets divided by book-value of equity for the company's most recent fiscal year-end prior to March 2020 (Compustat *AT*/*SEQ*) in Table 5, and as of the designated firm-quarter in other tables.
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 Table 5, and as of the designated firm-quarter in other tables.
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 a non-December 31 fiscal year-end and 0 otherwise.
NONLINEAR	The absolute value of unexpected earnings (*UE*).
PERSIST	Earnings persistence, measured as the first-order autocorrelation coefficient of quarterly income before extraordinary items scaled by average total assets, estimated over the previous four years.
PREDICT	Earnings predictability, measured as the root mean squared error from the regression used to obtain *PERSIST*.
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 fiscal 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 Table 5, and as of the designated firm-quarter in other tables.
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.
UNCERTAINTY	Industry-adjusted *ROA* dispersion, measured as the standard deviation of industry (SIC 2-Digit) *ROA* for the latest calendar quarter in 2021 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*).
UE	Unexpected earnings, measured as the difference between actual earnings per share less the analyst median estimate prior to the announcement (*I/B/E/S*), scaled by stock price 21 trading days prior to the announcement.

Exhibit 1
Selected Quarterly EPS Guidance Data

	Firm A	Firm B
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 two hypothetical firms, Firm A and Firm B, 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
Quarterly EPS Guidance around the COVID-19 Pandemic

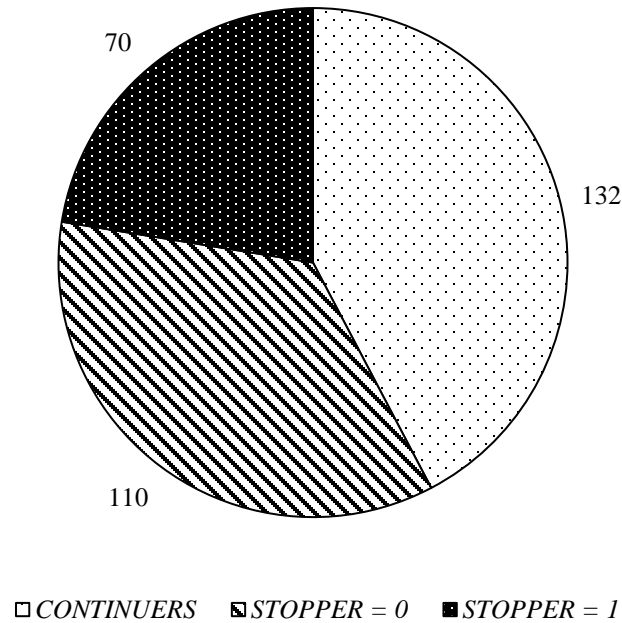□ *CONTINUERS*   ▨ *STOPPER = 0*   ■ *STOPPER = 1*

Figure 1 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 remove observations lacking data necessary to calculate control variables. We tabulate the number of companies that stopped quarterly earnings guidance during Q2 or Q3 2020 and have restarted (*STOPPER* = 0), the number of companies that stopped quarterly earnings guidance during Q2 or Q3 2020 and have not restarted (*STOPPER* = 1), and the number of companies that continued issuing quarterly earnings guidance during Q2 and Q3 2020 (*CONTINUERS*).

Figure 2
Frequency of Companies Stopping Quarterly Earnings Guidance Over Time
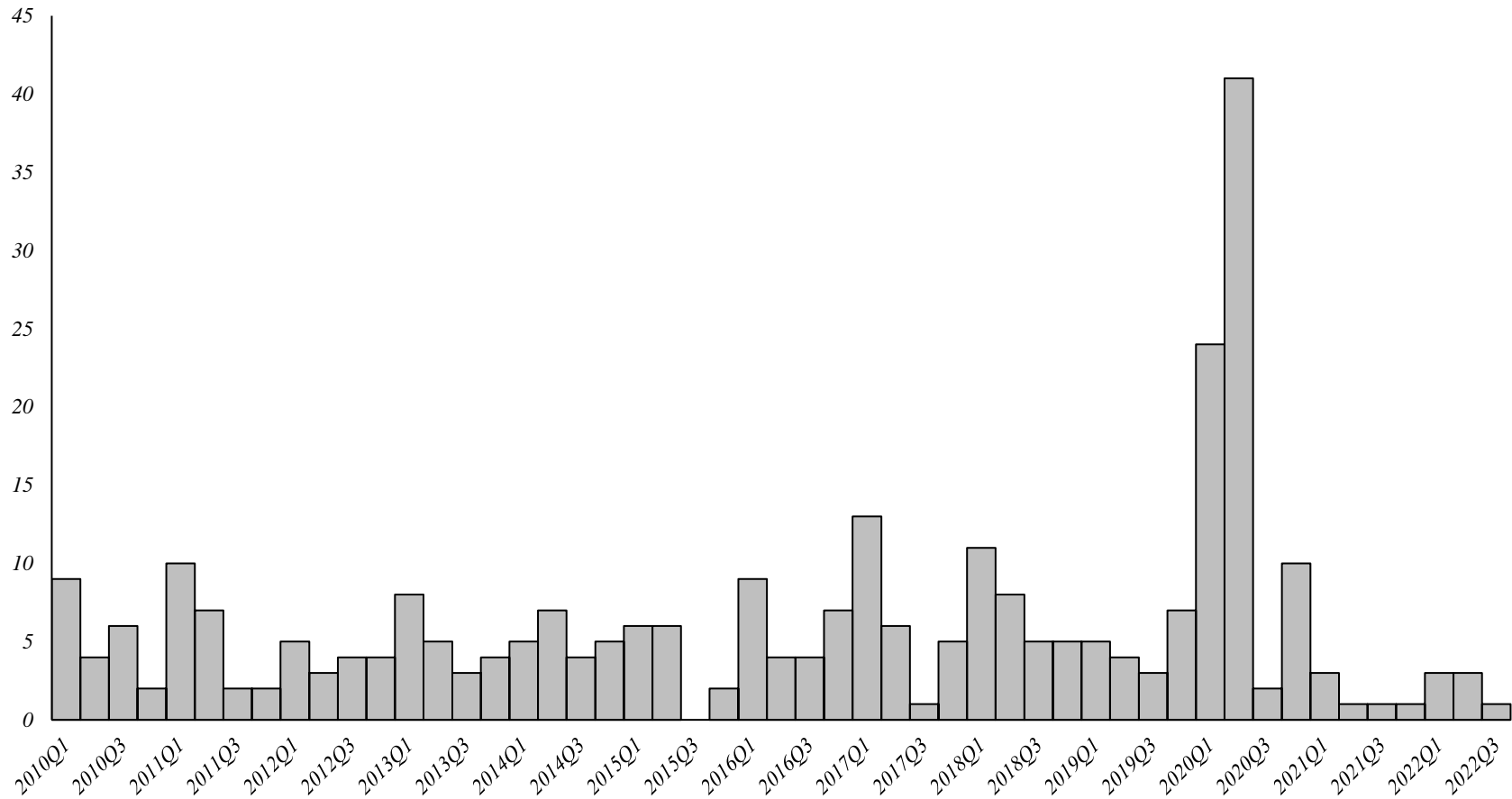

Figure 2 presents the rolling number of public companies stopping quarterly earnings guidance over time after 2010. We present the frequency of companies that issue quarterly EPS guidance in five out of the eight previous quarters and stop for at least 5 quarters. We omit instances of stopping due to missing Compustat data (i.e., bankruptcies or de-listings).

Figure 3
Uncertainty around the COVID-19 Pandemic

Panel A: Monthly Economic Policy Uncertainty
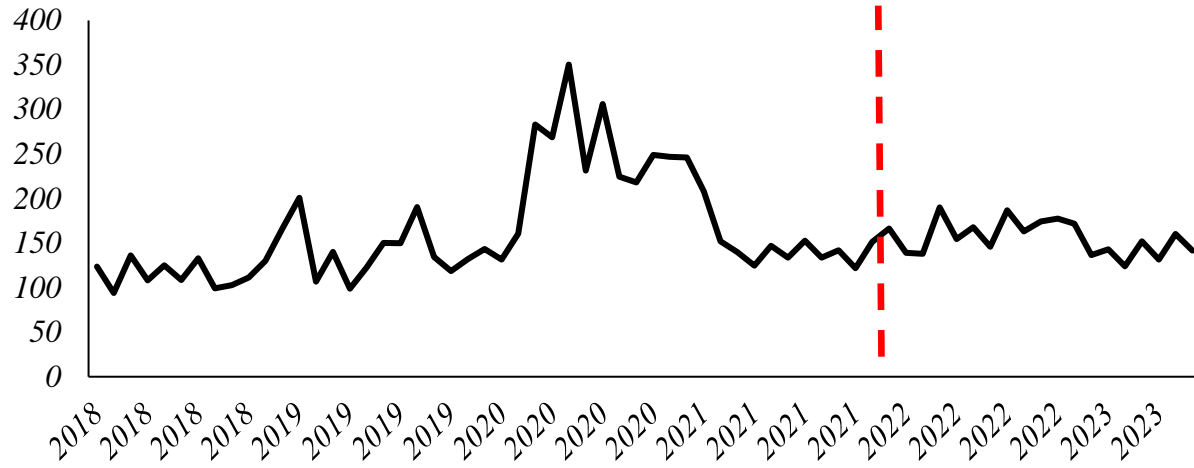
Panel B: Quarterly World Uncertainty Index
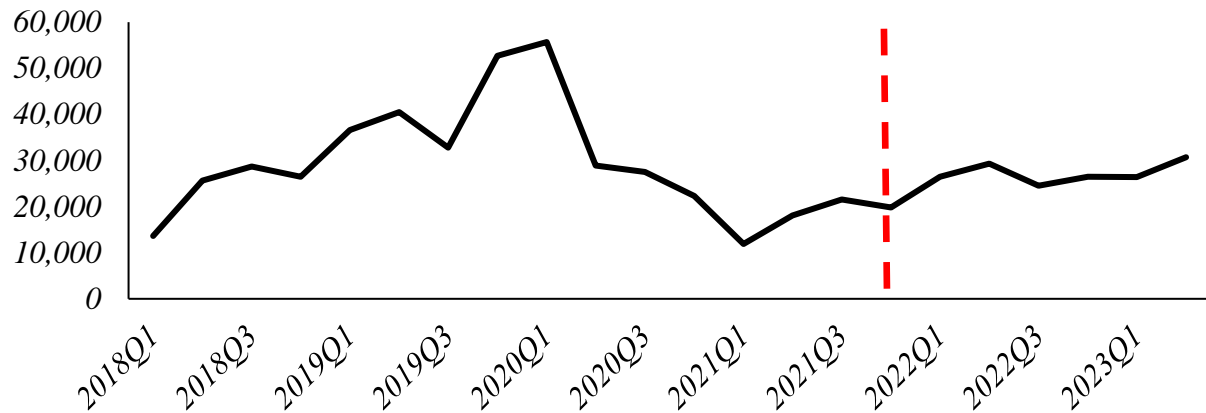
Panel C: Daily VIX
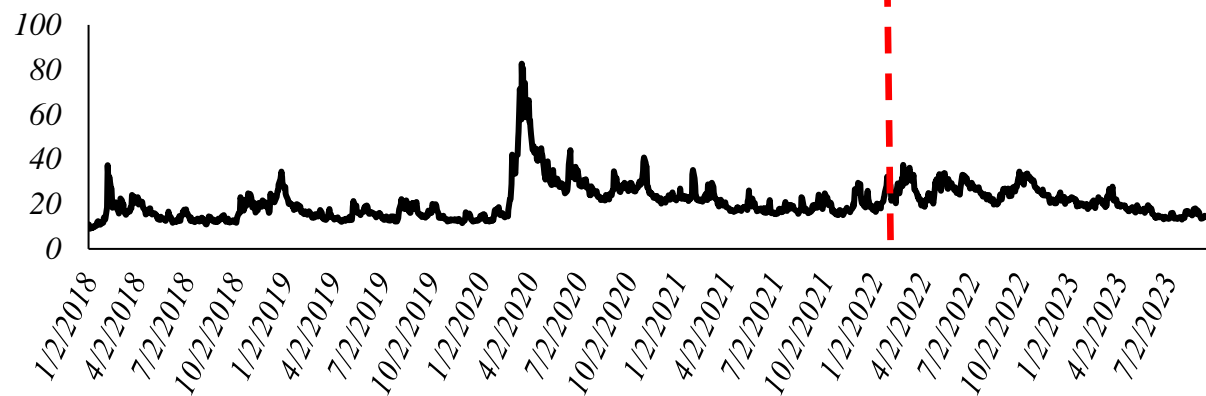
Figure 3 presents proxies for economic uncertainty. Panel A presents the U.S. economic policy uncertainty index, Panel B presents the world uncertainty index, and Panel C presents the daily CBOE VIX, from 2018-2023 (Baker, Bloom, and Davis, 2016). The dotted red line denotes the end of our sample cutoff for designating a firm as having stopped quarterly earnings guidance.

Figure 4
Sample Firms' Non-Earnings Guidance Activities

Panel A: Sales Guidance for COVID Pausers and Stoppers

— — Sales Guidance for Pausers   —— Sales Guidance for Stoppers
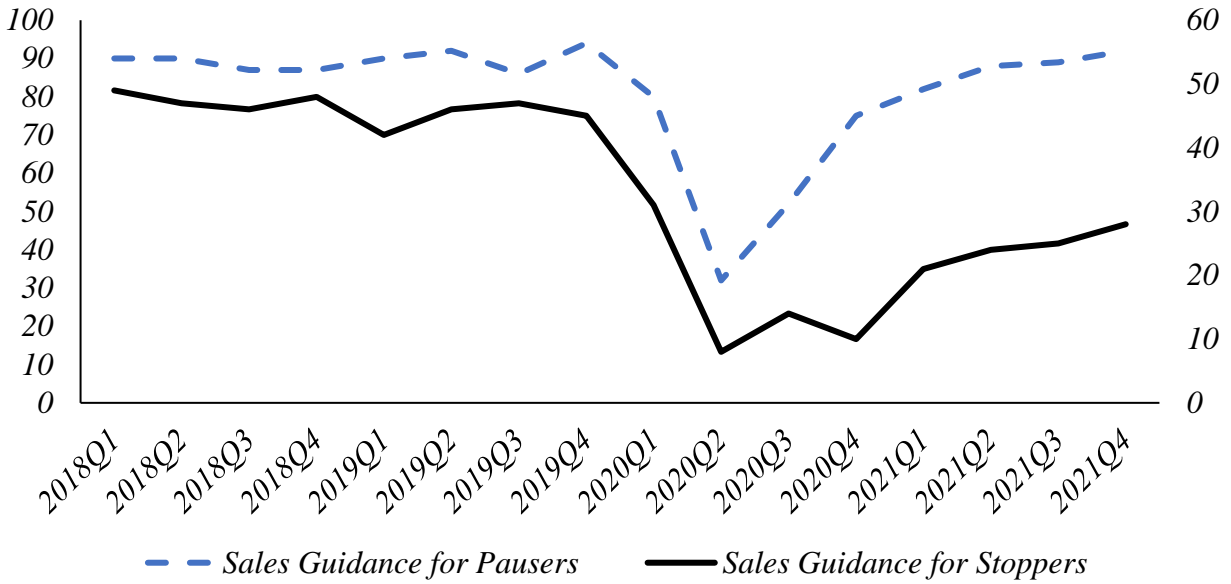
Panel B: EBITDA Guidance for COVID Pausers and Stoppers

—— EBITDA Guidance for Stoppers   — — EBITDA Guidance for Pausers
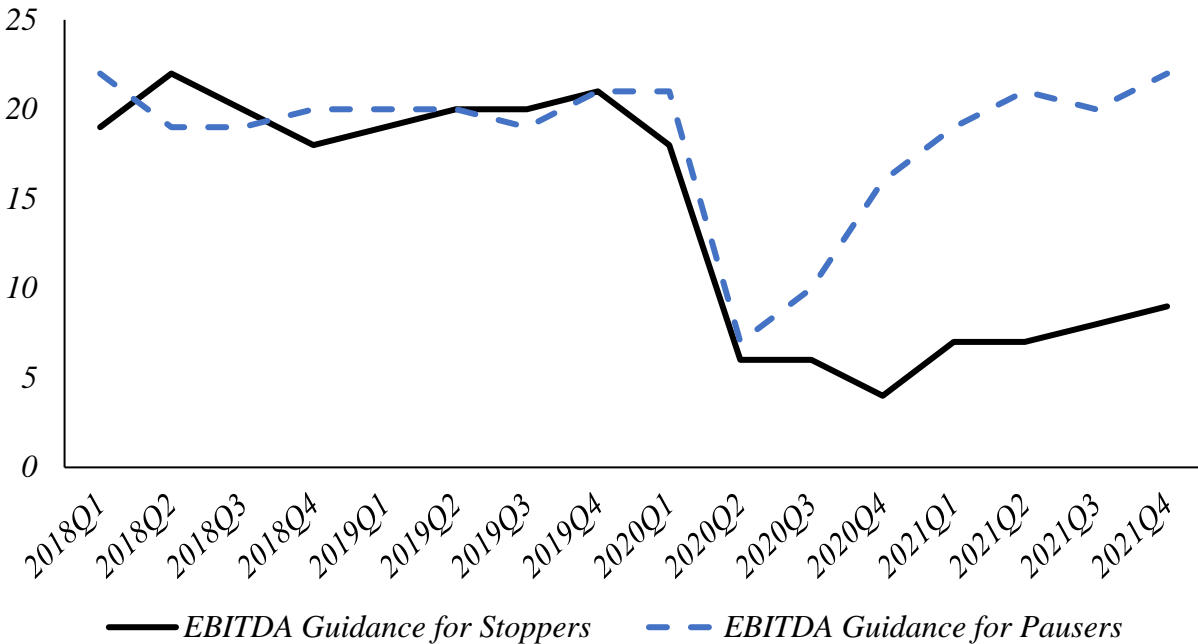
Panel C: CAPEX Guidance for COVID Pausers and Stoppers
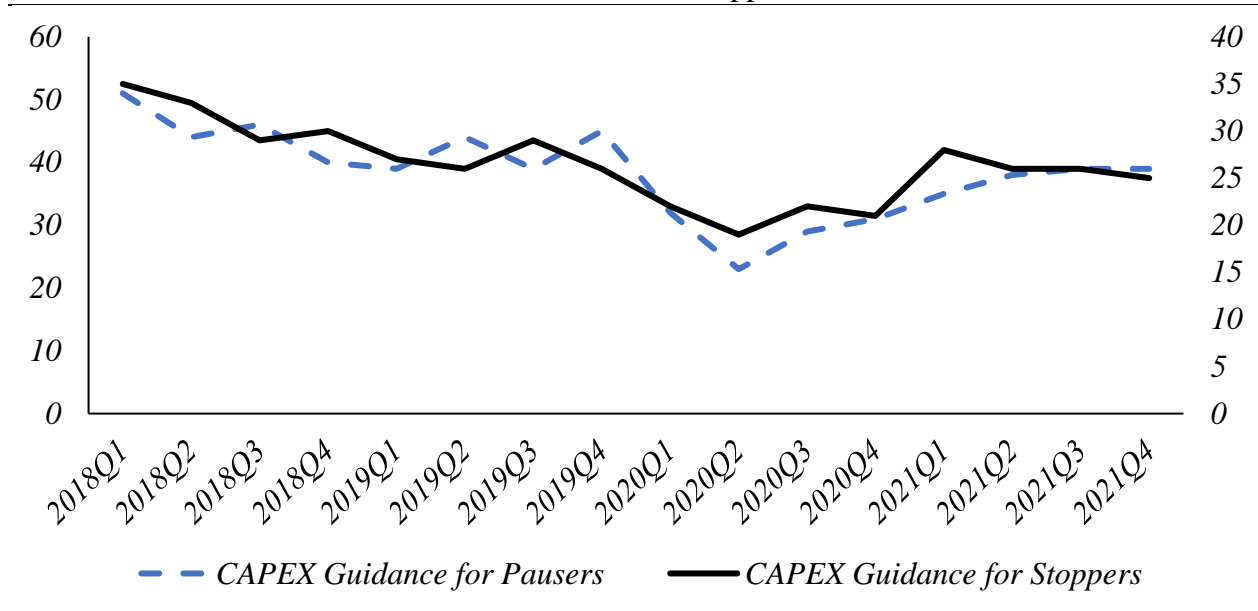
Figure 4 plots the percentage of COVID stopper firms (solid line) and COVID pauser firms (dashed line) that issued specific types of non-earnings guidance in each quarter from Q1 2018 through Q4 2021. Panel A presents Sales guidance, Panel B presents EBITDA guidance, and Panel C presents CAPEX guidance. We measure guidance issuance is using the I/B/E/S guidance file. COVID stoppers are firms that regularly issued quarterly EPS guidance pre-pandemic, suspended it at the onset of COVID-19, and did not resume by Q4 2021. COVID pausers are firms that also regularly guided and suspended but resumed quarterly earnings guidance by Q4 2021. In Panels A and C, the secondary (right-hand side) y-axis describes the COVID stopper data.

Figure 5
Sample Firms' Forward-Looking Statement (FLS) Activities

Panel A: The Average Number of FLS in Earnings Releases
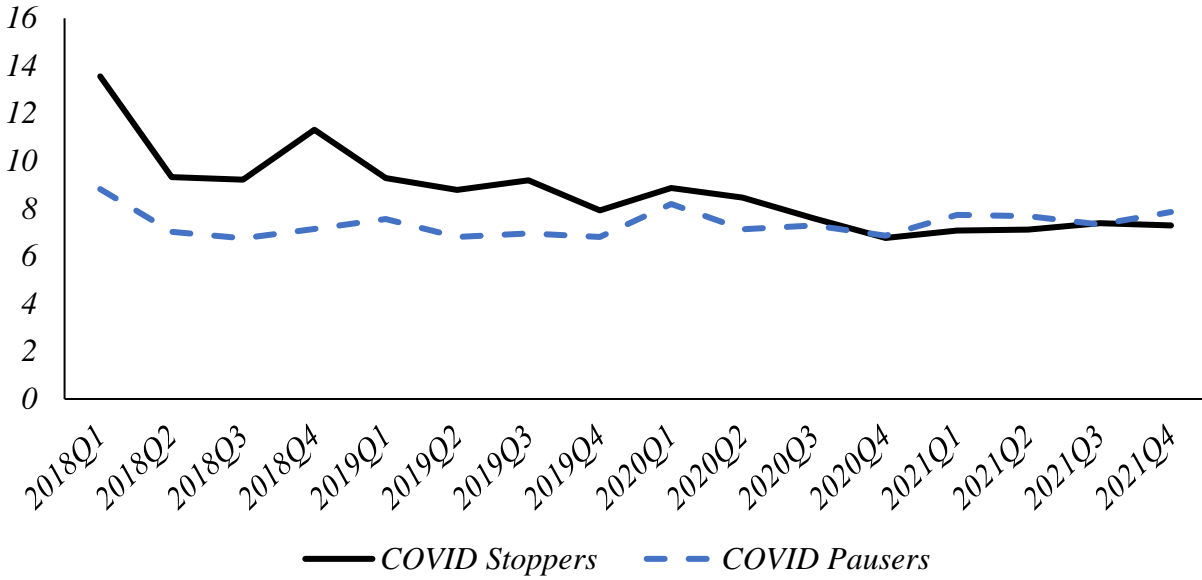
Panel B: The Average Number of Earnings-Related FLS in Earnings Releases
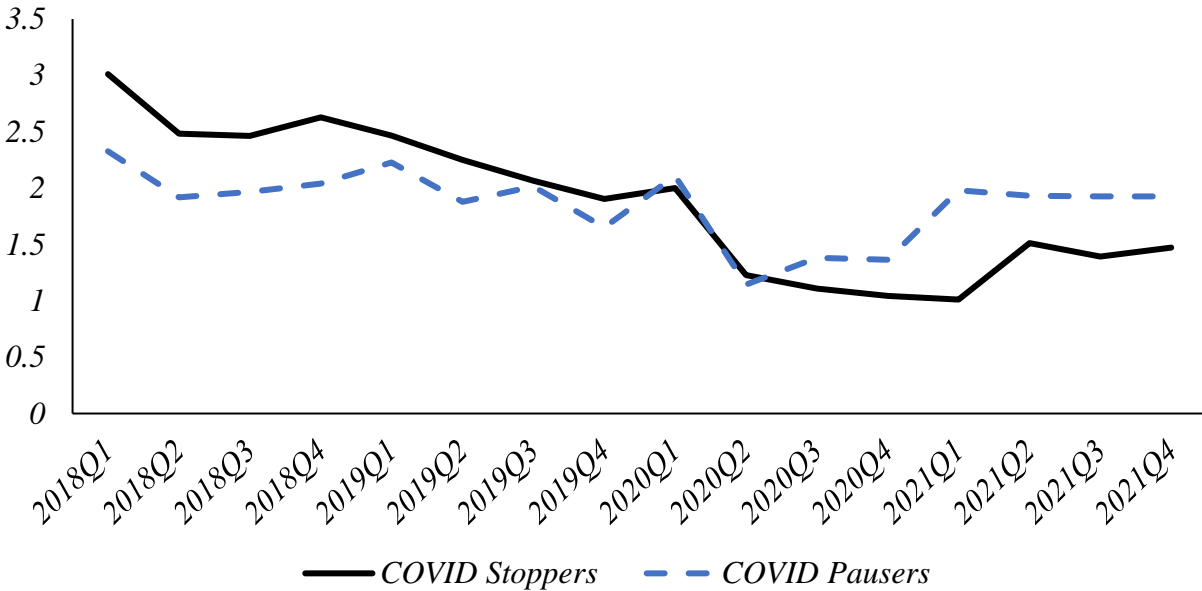
Figure 5 presents sample firms' forward-looking statement (FLS) activity in quarterly earnings press releases. We present data for COVID stopper firms (solid line) and COVID pauser firms (dashed line) for the pre-pandemic period and the post-pandemic period. Panel A displays the average total number of FLS sentences per earnings release. Panel B displays the average number of earnings-related FLS sentences per earnings release. We identify and measure FLS following Bozanic et al. (2018).

Table 1
Sample Selection and Construction

Selection Criteria	Firms Remaining	Attrition
Initial Universe – All firms with IBES coverage (2018 – 2019)	7,631	--
Firms with Quarterly EPS Guidance in 2018-2019	648	(6,983)
Firms with Quarterly EPS Guidance > 4 quarters in 2018-2019	372	(276)
After requiring matches to Compustat	372	(0)
Firms with Compustat data for Q3 or Q4 of 2021	339	(33)
Firms with Quarterly EPS guidance in Q4 2019 or Q1 2020	322	(17)
Firms that did not issue Quarterly EPS guidance in Q2 or Q3 2020	188	(134)
Firms with nonmissing control variables	180	(8)

Table 1 presents sample selection and construction procedures for determining the main sample of COVID stoppers and pausers.

Table 2
Descriptive Statistics

Panel A: Returns Analysis Variables

	N	Mean	Std.Dev.	25th Pctl	50th Pctl	75th Pctl
ANALYSTS	273	2.103	0.787	1.609	2.197	2.773
ASSETS	273	7.439	1.901	6.094	7.375	8.775
BHAR(0,6)	273	0.032	0.396	-0.192	-0.016	0.173
BHAR(0,12)	273	-0.028	0.411	-0.255	-0.069	0.128
CHG_LOSS$_{t+1}$	273	0.000	0.411	0.000	0.000	0.000
CHG_ROA$_{t+1}$	273	0.001	0.106	-0.031	0.001	0.033
COVID_STOPPER	273	0.286	0.453	0.000	0.000	1.000
LEVERAGE	273	3.550	7.575	1.629	2.226	3.408
MTB	273	3.867	6.546	1.218	2.150	4.029
MVE	273	7.336	2.038	6.009	7.389	8.883
SALESGROWTH	273	0.008	0.249	-0.106	0.002	0.105

Panel B: Determinants 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
LEVERAGE	180	1.440	9.070	1.678	2.240	3.043
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
UNCERTAINTY	180	0.053	0.285	-0.024	0.009	0.043

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
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 × 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
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
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
NONLINEAR	48,690	0.062	0.376	0.001	0.003	0.009
LEVERAGE	48,690	3.314	5.112	1.549	2.324	4.078
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 returns analysis. The sample includes all quarterly EPS guidance stoppers from 2010 onwards with sufficient data. Panel B presents descriptive statistics for the variables used in our determinants analysis. 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 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 the Appendix.

Table 3
Future Performance of Quarterly Earnings Guidance Stoppers

	(1) BHAR(0,6)	(2) BHAR(0,12)	(3) CHG_ROA_{t+1}	(4) CHG_LOSS_{t+1}
COVID_STOPPER	0.262***	0.193***	0.159**	-0.160**
	(4.19)	(2.99)	(2.46)	(-2.49)
ANALYSTS	0.184*	0.029	-0.098	-0.271***
	(1.88)	(0.29)	(-0.97)	(-2.71)
ASSETS	0.213	0.241	0.066	-0.139
	(1.29)	(1.42)	(0.39)	(-0.82)
LEVERAGE	0.036	0.002	-0.041	-0.013
	(0.42)	(0.02)	(-0.47)	(-0.14)
MTB	0.055	0.040	0.081	-0.024
	(0.59)	(0.42)	(0.84)	(-0.25)
MVE	-0.541***	-0.338*	0.003	0.395**
	(-2.84)	(-1.72)	(0.02)	(2.02)
SALESGROWTH	0.056	0.079	0.027	0.021
	(0.87)	(1.19)	(0.41)	(0.31)
Observations	273	273	273	273
Adj. R^2	7.4%	1.8%	1.0%	3.0%

Table 3 presents results of multiple OLS regressions examining the future stock return and accounting performance of firms stopping quarterly earnings guidance between 2010 and 2021. The dependent variable in columns 1-2 (*BHAR)* 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 dependent variable in column 3 (*CHG_ROA*) is the one-year ahead change in return on assets for the four quarters following guidance cessation. The dependent variable in column 4 (*CHG_LOSS*) is the one-year ahead change in whether the firm reports a loss for the four quarters following guidance cessation. 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 4
Future Monthly Returns and Quarterly Change in ROA After Stopping Quarterly Earnings Guidance

Panel A: 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***

Panel B: Quarterly Change in Return on Assets After Stopping Quarterly Earnings Guidance

Quarter Ahead	Mean *CHG_ROA*		Median *CHG_ROA*		*t*-stat. for mean difference	*z*-stat. for median difference
	COVID Stoppers	Non-COVID Stoppers	COVID Stoppers	Non-COVID Stoppers		
1	0.002	-0.003	-0.002	0.000	0.919	0.025
2	0.004	0.002	0.001	0.001	0.472	0.044
3	0.002	-0.005	0.001	-0.001	1.472	1.620
4	0.007	-0.004	0.005	-0.000	2.206**	2.871***

Table 4 examines stock return and accounting performance after stopping quarterly earnings guidance. In Panel A, 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. In Panel B, columns 2-3 present mean change in year-over-year return on assets for the quarter and columns 4-5 present median change in year-over-year return on assets for the quarter. In both panels, column 6 presents *t*-statistics for the test of a difference between values in columns 2 and 3, and 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 5
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)
LEVERAGE		-0.650	-0.624	-0.613	-0.625
		(-1.12)	(-1.08)	(-1.06)	(-1.08)
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)
UNCERTAINTY		-0.277	-0.305	-0.299	-0.298
		(-0.49)	(-0.54)	(-0.53)	(-0.52)
Observations		180	180	180	180
Pseudo. R^2		13.2%	13.3%	13.3%	13.4%

Table 5 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 6
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)
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 × 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^2	90.4%	90.4%	90.6%

Table 6 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 the Appendix.

Table 7
Market Reaction to 2021 Earnings Announcements for COVID Stoppers

	(1) CAR	(2) CAR
STOPPER × Q1_2021	0.022	--
	(0.99)	
STOPPER × Q2_2021	0.005	--
	(0.22)	
STOPPER × Q3_2021	-0.005	--
	(-0.25)	
STOPPER × Q4_2021	0.006	--
	(0.28)	
STOPPER × 2021	--	0.014
		(0.56)
Observations	3,019	3,019
Controls	Yes	Yes
Fixed Effects	Firm, Time	Firm, Time
UE × FFE	Yes	Yes
Adj. R^2	17.5%	17.6%

Table 7 tests whether there was a delayed market penalty for firms that stopped issuing quarterly earnings guidance around the COVID-19 pandemic. We present OLS regression results examining 3-day cumulative value-weighted abnormal returns around quarterly earnings announcements during. The sample comprises 2018-2021 firm-quarter observations for firms that regularly issued EPS guidance pre-pandemic and either stopped or paused and then restarted by Q4 2021. Column (1) interacts *STOPPER* with indicator variables for each quarter of 2021. Column (2) interacts *STOPPER* with an aggregate indicator for all 2021 announcements. We control for the number of analysts following the firm (*ANALYSTS*), the log of total assets (*ASSETS*), analyst forecast dispersion (*DISP*), earnings volatility (*EVOL*), financial leverage (*LEVERAGE*), an indicator for reporting a loss (*LOSS*), the market-to-book ratio (*MTB*), an indicator for non-December fiscal year-ends (*NONDEC31*), the absolute value of unexpected earnings (*NONLINEAR*), an indicator for fourth-quarter announcements (*Q4*), earnings persistence (*PERSIST*), and the root mean square error from the persistence regression (*PREDICT*). See the Appendix for detailed definitions of each control variable. We further include firm fixed effects, time (year-quarter) fixed effects, and interact unexpected earnings with firm fixed effects (*UE* × FFE) to control for firm-specific responses to earnings news (Breuer and deHaan, 2024). *t*-statistics, clustered by firm, are reported in parentheses. *, **, *** denote significance at the 10%, 5%, and 1% levels, respectively.

Table 8
Does Stopping Quarterly Earnings Guidance
Around the Onset of COVID-19 Reduce Investor Fixation on Earnings?

	(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)
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)
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)
NONLINEAR	--	-0.209***	--	0.019***
		(-4.69)		(2.59)
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^2	47.8%	49.5%	33.1%	33.4%

Table 8 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.