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Craig McGuire
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With the US economy on the verge of recession, more publicly traded companies than ever are either contemplating eschewing, if they haven't already done so, the practice of providing quarterly earnings guidance in favor of longer-term projections.

For some - small caps that rely on short-term guidance to attract analysts and companies in volatile sectors where forecasting is a challenge - even if such a dramatic shift seems unfeasible, it is worth considering.

Jeremy Fielding, partner at Kekst and Company, says he is seeing more clients adopt a longer-term approach these days.

This mirrors the results of the most recent annual Earnings Guidance Survey from The National Investor Relations Institute (NIRI), where more companies reported providing annual estimates (58%) than quarterly estimates (27%).

"One of the fallacies among companies thinking about pulling back from guidance is the erroneous belief that they can go dark and diminish the amount of information they discuss with the Street," Fielding says. "In fact, if a company chooses to withdraw guidance, the opposite occurs. Stockholders and the market still need to understand how a company is making progress."

Essentially, Fielding says stakeholders traditionally don't welcome a withdrawal of guidance, and management must maintain a level of visibility for those constituents. Instead of formal earnings per share (EPS), revenue, and cash-flow guidance, this may mean providing quantitative information on business measures - which could include metrics such as anticipated growth rates for EBITDA, gross margins, expense ratios, or CAPEX, as well as qualitative assumptions.

Providing such transparency is also wise for companies that provide quarterly guidance. And the foundation of any successful effort must be a proactive, engaged IR program, led by senior management, Fielding adds.

FD Ashton Partners MD Chris Hodges is counseling more clients today to move toward annual guidance, where it makes sense.

"It can work for you as much as against you," he says. "Earnings guidance is a critical tool for managing expectations, but can you manage [them]? Certain companies have a difficult time, whether it is issues with accounting systems, volatile industry pressures, or inconsistent pricing from suppliers."

In cases where external factors swing share price, Hodges says a company can still move toward longer-term guidance by setting a broader, though not overly wide, range, coupled with details on the outside pressures.

Beverly Jedynak, president of Martin E. Janis & Co., encourages careful consideration, as thousands of companies that don't get coverage can effectively wield guidance as a means to generate interest.

"Those companies need exposure and this can help deliver it," she says. "I'd even advise that if a company is not well tracked, but has had a great quarter or annual, it may make sense to release information earlier to get ahead of the earnings cycle, obviously in accordance with FD. But... be right."

Jeffrey Morgan, NIRI president and CEO, says the association does not endorse one particular approach because all companies have different practices and pressures.

"For us to say there is a best practice... is just not possible," he notes. "Many more companies are moving towards long-term guidance, but the bottom line comes down to a management practice."

NIRI offers roundtables and chapter events, as well as focus at the annual national meeting, on the topic of earnings guidance.

Whatever the decision, the key is timing. "I get asked this a lot: 'We want to start giving less precise guidance, but how do we do it without causing alarm?'" says James MacGregor, vice chairman, Abernathy MacGregor. "The best answer: Flag a change of policy well in advance. When you return from the summer, announce this approach for the coming year, so it doesn't look like you have a stinker of a quarter coming."

Technique tips
Do

- Leverage quarterly guidance if your company is not regularly tracked by analysts
- Consider using a wider range, but justify it by educating people on volatility and market forces pressuring EPS fluctuation
- Reach out to peer groups to solicit advice when contemplating any dramatic shifts

Don't

- Abruptly move to annual guidance. Announce the move well in advance
- Just provide EPS or cash flow. You must give quantitative and qualitative guidance
- Rely on guidance alone. You must continue enhancing a proactive IR program that disseminates information effectively