

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

Louis M. Thompson, Jr.  
President & CEO  
National Investor Relations Institute

April 6, 2006

**NIRI ISSUES 2006 SURVEY RESULTS ON EARNINGS GUIDANCE PRACTICES**

A survey of 654 NIRI corporate members on current earnings guidance practices found a significant shift away from quarterly guidance to annual guidance as compared with March 2005 results. The survey also identified continuing changes in the types of information supplied by companies that provide guidance.

Highlights of Survey Findings:

- The proportion of companies providing earnings guidance declined to 66% from 71% in the March 2005 survey.
- Some 56% of companies provide revenue guidance, down from 60%.
- The percentage furnishing annual earnings guidance increased significantly to 82% from 61% in the previous survey.
- Some 52% provide quarterly earnings guidance, down from 61%.
- The proportion of companies that provide only annual earnings guidance rose to 43% from 28%.
- Those companies that provide only quarterly earnings guidance declined to 13% from 28%.
- Some 77% of companies provide qualitative statements about market conditions that may assist analysts in arriving at their estimates.

For purposes of this survey, earnings guidance was defined as any of three metrics: (1) a range of EPS estimates, which 83% of companies offering guidance now provide, up from 80% last year; (2) a point EPS estimate, which only 5% provide, unchanged from 2005; and (3) an earnings model, which 7% of companies currently provide, unchanged from the previous survey. (Respondents could check more than one form of guidance.)

Data also show that 92% of companies providing guidance now update their earnings guidance to reflect a material change. The means most companies used for publicly releasing updated guidance is a quarterly news release (87%), a fully accessible

conference call (62%), and furnishing it in a Form 8-K filing (49%). (Respondents could check more than one form of disclosure.)

Ninety-five percent of companies say that providing some form of financial guidance contributes to better communication between the company and the investment community. Eighty-six percent of respondents say they are not considering dropping earnings guidance, up from 64% in 2005. When respondents were asked whether, if they were to drop earnings guidance, it would result in analysts taking a longer-term view of their companies' prospects, 23% agreed.

## WEBCAST

A webcast to discuss these results and the market impacts is scheduled for 4 p.m. ET on April 18, 2006. Featured panelists will include representatives from the investment community and investor relations officers with differing opinions on the value of earnings guidance. Please check the NIRI home page, [www.niri.org](http://www.niri.org), for upcoming details.

The complete survey results are:

Demographics
--------------

### 1. Company cap sizes

3%	Under \$100M
13%	\$100M - \$500M
23%	\$500M - \$1.5B
30%	\$1.5B - \$5B
8%	\$5B - \$10B
22%	Over \$10B

### 2. How is your company listed?

62%	NYSE
33%	Nasdaq
2%	AMEX
3%	Other

### 3. How many sell-side analysts currently cover your company?

12%	1-3
16%	4-6
21%	7-10
30%	11-20
13%	21-30

4%	31-40
2%	41-50
1%	Over 50
2%	None

4. Does your company provide revenue guidance in the context of a range or point estimate? (check all that apply)

4%	A revenue point estimate
37%	A revenue range
13%	Quarterly revenue guidance
29%	Annual revenue guidance
16%	Both quarterly and annual revenue guidance
44%	No, does not provide revenue guidance

5. Does your company provide earnings guidance in the context of a range of EPS, an EPS point estimate and/or earnings model?

66%	Yes
34%	No

Section 2 (Responses of those that said they provided earnings guidance)
--

1. Which of the following types of earnings guidance do you disclose? (check all that apply)

5%	An earnings per share point estimate
83%	A range of earnings per share
7%	An earnings model
17%	Other, please specify

2. What type of earnings guidance do you provide?

13%	Quarterly only
43%	Annually only
39%	Both
1%	Mid-quarter update
4%	As needed

3. How do you currently provide earnings guidance? (check all that apply)

87%	Quarterly financial news release
62%	Fully accessible conference call
75%	Quarterly conference call
49%	8-K
25%	In a 10-Q and/or 10-K
9%	Other, please specify

4. Do you update earnings guidance during the quarter or year if there is a material change? (check all that apply)

83%	Yes, in a news release
55%	Yes, in an 8-K filing
41%	Yes, in a fully accessible conference call
8%	No, we do not update guidance if there is a material change

5. Do you reiterate your financial guidance? (check all that apply)

27%	No, do not reiterate
55%	Yes, in earnings releases
59%	Yes, in quarterly conference calls
17%	Yes, in one-on-one meetings
36%	Yes, at investor conferences that are webcast
9%	Yes, at investor conferences that are not webcast
10%	Other, please specify

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

16%	Yes
63%	No
21%	Not sure

7. Is your company considering discontinuing earnings guidance?

14%	Yes
86%	No

8. If your company is considering discontinuing earnings guidance, who first raised the issue?

59%	Senior management
21%	Board of directors
17%	Investor relations officer
0	Outside counsel
2%	Investors
2%	Other

9. If your company is considering discontinuing earnings guidance, why? (check all that apply)

3%	Change in financial outlook
25%	Low earnings visibility
47%	Change in management philosophy
17%	Board request
7%	Investor request
8%	Competitor/peer discontinued guidance
27%	Industry trends
25%	Other

10. If you are continuing to provide financial guidance, why? (check all that apply)

- 62% We believe financial guidance helps decrease stock price volatility
- 54% Most of our peer group still provides financial guidance
- 95% We believe it contributes to better communication between the company and the analysts/investors
- 10% We are concerned we might lose sell-side coverage

11. If you were to no longer provide earnings guidance, how likely is it that this would result in analysts taking a longer term view of your company's prospects?

- 2% Highly likely
- 21% Somewhat likely
- 22% Highly unlikely
- 28% Somewhat unlikely
- 26% No effect

12. If you were to no longer provide earnings guidance, how likely is it that analysts would be able to provide reasonable estimates on your company?

- 9% Highly likely
- 40% Somewhat likely
- 20% Highly unlikely
- 30% Somewhat unlikely
- 0% No effect

13. What OTHER forms of guidance do you provide that may assist analysts in arriving at their estimates? (check all that apply)

- 77% Qualitative statements about market conditions
- 70% Trend information that may impact the business of your company
- 56% Industry specific information
- 54% Quantitative information on business measures and/or assumptions
- 50% Estimates or forecasts of factors that may drive your earnings but not all factors that might be in your internal financial forecast
- 50% Qualitative statements about high-level performance measures
- 11% Other

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

1. Do you provide non-earnings guidance that may assist analysts in arriving at their estimates? (check all that apply)

73%	Qualitative statements about market conditions
67%	Trend information that may impact the business of your company
55%	Industry specific information
39%	Quantitative information on business measures and/or assumptions
51%	Qualitative statements about high-level performance measures
38%	Estimates or forecasts of factors that may drive your earnings but not all factors that might be in your internal financial forecasts
16%	Other

2. If you do not currently provide earnings guidance, when did you stop?

9%	In the past six months
2%	In the past 12 months
25%	Over 12 months ago
64%	Never provided earning guidance

3. Are you considering providing earnings guidance in the future?

1%	Yes, quarterly
11%	Yes, annually
1%	Yes, both quarterly and annually
87%	No

4. Why don't you provide financial guidance?

51%	General policy
24%	Limited revenue/earnings visibility
2%	Poor company performance or difficult competitive/industry conditions
2%	Peers don't provide guidance
21%	Other, please specify

5. What would make you consider providing earnings guidance in the future?

1%	Investor/analyst request
5%	Stock price volatility
8%	Change in business structure
48%	Change in management philosophy
11%	Board request
5%	Peer group provides guidance
22%	Other

### About the Survey

This survey, which was launched on March 23, 2006 and closed on March 31, 2006, was sent to 3,143 NIRI corporate members. Please note that the 654 respondents closely reflect NIRI's corporate membership profile. The survey was conducted via Zoomerang, an online survey tool owned by MarketTools, Inc.

### About NIRI

NIRI is the professional association of corporate officers and investor relations consultants responsible for communications among corporate management, shareholders, security analysts and other financial publics. NIRI's 4,200 members represent over 2,100 publicly held companies in the United States.

###