

Corporate guidance in short supply despite high demand from investment audience

- *Over 60% of top 200 European companies do not provide detailed corporate guidance*
- *Smithfield survey reveals 94% of analysts and business media in favour of more guidance*

Of the top 200 companies in Europe¹, only 77 or less than 40% have issued specific guidance for 2012. This is at odds with new research suggesting that the majority of investment analysts and business media, the main audience to which guidance is directed, is in favour of detailed corporate guidance.

The research² conducted by Smithfield, the specialist financial communications consultancy, and Vara Research, Europe's leading independent consensus forecast analytics company, surveyed the views of 140 investment analysts and business journalists. A significant majority (93%) agreed that specific financial guidance was either helpful or very helpful. However, over a third (39%) stated that a change in corporate guidance would have a detrimental effect on the way they view the company, offering a clue as to why so many companies do not offer specifics.

Although the overwhelming majority of responses was in favour of detailed corporate guidance, it was clear from the survey that the users of this information – specifically the investment analysts – did not view it as the last word on corporate performance. Over half (52%) of analysts stated that they would apply a discount or a premium to a company based on its guidance, while a significant minority (39%) believed that analysts' forecasts were more reliable at predicting prospective performance.

Commenting on the findings, Scott Fulton, Director of Investor Relations at Smithfield, stated:

“Our research highlights an environment where companies and analysts compete for the market's attention in providing either guidance or forecasts. At times this creates an adversarial situation in which the market, and particularly the media, is asked to choose between the two. We believe that a more cooperative approach would substantially reduce the potential for share price volatility which the current situation implies.”

Michael Vara, CEO Vara Research, continued;

“Our study clearly highlights that the investment community supports the continued public provision of consensus forecast data. Indeed, such provision should be seen as an integral component of the process by which companies and market participants build the market's view of prospects. We would encourage companies across Europe to consider the publication of clear forecast data as this would undoubtedly assist them in providing relevant guidance without running the risk of having to make predictions themselves”

¹ As defined by the constituents of the STOXX Europe Large 200 as at 19th March 2011

² A survey of 140 investment professionals and business journalists. This group was asked a range of questions relating to their use and perceptions of corporate guidance; i.e. companies' expectations of their operational and financial performance.