



Do's and Don'ts for Providing Guidance

Guidance is a key component of any investor relations program. By providing and delivering on guidance, you can signal confidence in the company's growth and drive management credibility. **When providing guidance, keep these do's and don'ts in mind:**



Don't Withhold Guidance

In general, we recommend issuing guidance. By providing guidance, you can convey confidence in your company's prospects and predictability, and help manage analysts' estimates into a reasonable range. Keep in mind, however, that it can be appropriate to suspend guidance in some circumstances.



Do Provide Consistent Metrics

Analysts and investors expect you to provide consistent metrics so they can monitor your progress against their expectations. If you give a metric one quarter, prepare to provide that metric for the foreseeable future, as you have set a precedent.



Don't Provide Too Broad of a Range

If analysts and investors sense a range is too wide, they might get the idea that you lack insight into your business. Additionally, when you provide a range, the midpoint becomes the consensus. If results come in below the midpoint, the Street may view this as a disappointment – which can be frustrating to a management team that believes it delivered results within guidance.



Do Issue Reasonably Conservative Guidance

Better financial results lead to higher valuations, leading some management teams to issue "rosy" guidance. This may work in the short term, but missing guidance is a significant hit to management credibility. In the long term, management is much better off achieving guidance, as that credibility will ultimately be reflected in share price.



Don't Sandbag Guidance

In the short term, you will look smart for beating expectations, but over time, Wall Street will adjust and just hitting guidance could be seen as a negative.



Do Pre-Announce If Necessary

If you are sure you are not going to make expectations, consider pre-announcing. The best way to combat this negative is to be early and open with the update. Get the news out, reassess what is reasonable guidance going forward, and strive to rebuild.



Do Maintain Transparency

Aim to be straightforward and transparent with the Street. Discuss any potential swings, seasonality, or timing issues, as well as quarterly distribution of results early in the year. The Street is fairly forgiving on lumpiness if given early notice and color on what drove a shortfall, and as long as any revenue that slipped appears in the subsequent quarters.

By effectively communicating guidance to analysts and investors, you can enhance your firm's relationship and credibility with the Street. If you need additional advice on providing guidance, **get in touch.**

