

clear deterioration in trend. In the last few quarters, Up Down Ratio has started to soften, sliding down from 2.04x in Q4 2021 to 1.10x in Q3 2022. Companies in Consumer Discretionary, Real Estate and Telecommunications are issuing more downward revisions in 2022 than last year while Companies in Energy continue to experience strong upward revision momentum.

	2019	2020	2021	Q3 YTD 2022
Companies providing guidance	89%	91%	90%	88%
Companies withdrew guidance	0%	41%	0%	1%
Up Down Ratio	1.17x	1.11x	1.72x	1.18x

Financial Metrics used in Guidance

While earnings per share (EPS) is one of the best-known guidance metrics, companies in the dataset utilize a broad range of indicators in their outlook. To facilitate analysis, Brio360 groups financial guidance metrics into eight categories.

Percent of Companies with the following Guidance Metrics* - Primary Valuation Drivers

1)Cashflow	2)EPS	3)Revenue	4)Profit	5)Gross Margin	6)Dividend
71%	68%	66%	42%	19%	14%

Percent of Companies with the following Guidance Metrics* - Indirect Valuation Drivers

7)Tax Rates	8)Charges
79%	42%

*Numbers do not total to 100% since companies use metrics in multiple categories

While most guidance metrics used are well known drivers to valuation model, two metrics, Tax Rates and Charges are indirect valuation drivers. Cashflow and EPS are the most commonly used guidance metrics among primary valuation drivers, followed by Revenue. It is noteworthy that more companies issue guidance on Tax rates than Cashflow or EPS. On average, companies provide guidance in four categories. The choice of financial guidance metric is shown to be correlated with the company's industry group. Cashflow metrics are most frequently used in Consumer Staples, Energy, Industrials and Utilities while Revenue and Gross Margin are more prevalent for companies in Technology and Healthcare.

Guidance for Current Fiscal Year and Beyond

Companies issue financial guidance covering different time horizon, including current fiscal quarter, current fiscal half, current fiscal year, next few fiscal years or combinations thereof. While majority of datapoints address outlook within a year, more than one third of companies and over 5% of datapoints include financial metrics beyond the next twelve months. "Our data analysis has shown that it is a misconception that companies only focus on short-term guidance. CFOs are clearly looking into the future beyond the current fiscal year," Peter Ho noted. Companies in Energy and Utilities tend to provide guidance furthest into the future. Within the current fiscal year, the most common approach is to issue guidance on fiscal year only, followed

by both fiscal year and fiscal quarter. Companies in Technology are more focused on fiscal quarter than companies in other industries.

Guidance Uncertainties

While many companies provide point estimates in their guidance, some utilize range and boundary estimates to further quantify the level of guidance uncertainties. The proportion of companies with point estimates and range estimates are similar and they are significantly more prevalent than boundary estimates. Within companies providing point or range estimates, there are variations across different financial metrics. It is more common for companies to provide point estimates in Cashflow while it is more prevalent for companies to provide range estimates in EPS and Profit. For companies providing range estimates, the average width of the range is 4% for all metrics. The average and standard deviation of width of EPS and Profit ranges are significantly higher than those of other guidance metrics.

About Brio360

Brio360 is an independent business advisory firm serving CFO offices in the middle-market and emerging growth firms. Brio360 works closely with clients across industries to create long-term shareholder value by developing robust financial analytics and asking the tough strategic questions.

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