Does Firms’ Growth Properties Increase Incentives to Meet or Beat Analysts’ Revenue Forecasts?

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Abstract
This research investigates if growth firms have higher propensity to meet or beat analysts’ revenue forecasts relative to non-growth firms. Consistent with our conjecture, results show that growth firms are more likely to meet or exceed analysts’ revenue forecasts than are non-growth firms. In addition, we explore whether growth firms are more likely to utilize the accrual-based revenue management or the revenue expectation management to achieve the favorable revenue surprises. We find that growth firms are more (less) inclined to use positive discretionary revenues, a proxy for upward revenue management (downward revenue forecasts, a proxy for downward revenue expectation management) to avoid negative revenue surprises relative to value firms. The accrual-based revenue management (revenue expectation management) is more (less) utilized by growth firms to meet or beat analysts’ revenue forecasts than it is for non-growth firms.

Key Words: Financial analysts; Revenue forecasts; Revenue expectations management; Growth.
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