

## Trump proposal to axe US quarterly reporting ge

SEC launched consultation after presidential tweet



The SEC launched a consultation on earnings releases and quarterly reports in December after the intervention of President Donald Trump. The comment period ended this week © Joshua Roberts/Bloomberg

Richard Henderson and Andrew Edgecliffe-Johnson in New York MARCH 23, 2019

Donald Trump's proposal to end quarterly earnings reporting by US companies has had a tepid reception.

In submissions to the US Securities and Exchange Commission, which is examining whether quarterly reporting or forecasting encourages short-term thinking and should be scrapped, investors, companies and auditors largely supported the status quo.

Several groups, however, did support reducing the burden of producing quarterly figures and complained about the practice of giving forecasts for the coming quarter. Many large companies give earnings guidance in their outlook statements when they report on the quarter just ended.

The SEC launched a consultation on the issue in December after the intervention of Mr Trump.

The president tweeted: "In speaking with some of the world's top business leaders I asked what it is that would make business (jobs) even better in the U.S. "Stop quarterly reporting & go to a six month system," said one. That would allow greater flexibility & save money. I have asked the SEC to study!"

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Donald J. Trump  
@realDonaldTrump

Following

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Logistics group FedEx, the largest company to respond, urged the regulator to cut back the onerous paperwork involved in quarterly reports rather than scrap them altogether.

In a letter to the SEC, John Merino, principal accounting officer for FedEx, said increasing demands from investors for up-to-date information sapped executives' time that would be better spent focusing on the business.

Accounting firms gave the strongest defence of quarterly reporting. KPMG said "we still believe that interim financial statements prepared in accordance with generally accepted accounting principles provide relevant, useful, and material information to investors".

Deloitte noted the habit of giving quarterly forward guidance had sparked concerns over short-term thinking among corporate management, but called on the SEC to avoid shifting to semi-annual reporting: "It is important for the SEC to continue to require frequent high-quality reporting, at least quarterly, by companies to their investors."

Business and investment titans including Jamie Dimon, chief executive of JPMorgan, and legendary investor Warren Buffett, have become increasingly vocal on the topic of forward guidance. The pair together wrote an op-ed article in the Wall Street Journal last year saying that making such forecasts encouraged an "unhealthy focus on short-term profits at the expense of long-term strategy, growth and sustainability".

Larry Fink, chief executive of BlackRock, has also argued for an end to quarterly guidance. In its own letter to the SEC, his \$6.3tn fund house called on the regulator to discourage the practice.

Recent activity indicates investors will be happy to support companies that provide no forward guidance.

Chip Bergh, chief executive of Levi Strauss, told the Financial Times this week the jeans brand had seen no resistance on its roadshow before Thursday's initial public offering when it told investors it did not plan to issue quarterly earnings guidance as a public company.

"We were able to find long-term investors: they bought in to strategic choices we've made," Mr Bergh said.

Two companies — Pacira Pharmaceuticals and the Ball Corporation — did write to the SEC to support Mr Trump's more radical plan. Both highlighted EU rules that require earnings to be reported only twice per year.

“Moving to semi-annual filings would help balance the benefit with the cost of preparing such filings,” said Nate Carey, controller for Ball Corporation, a \$19bn Colorado-based manufacturer.

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