ABSTRACT

This paper examines the effect of delayed earnings announcements on the magnitude of information transfers to peer firms. A large literature documents that earnings announcements result in positive information transfers to non-announcing peer firms. Studies also document that managers strategically choose when to issue earnings news, for example, by delaying the release of bad news, with consequent negative stock price reactions for the announcing firm. However, it is an open question as to how such delayed announcements affect non-announcing peer firms’ stock prices. We argue that delays in earnings announcements are likely to signal to investors that the announcement contains relatively less industry-specific news, and that delays lead to
preannouncement information leakage, leading to a muted stock price reaction for peer firms. Consistent with this argument, we document an attenuation (decrease) in information transfers of about 31% associated with delays in the release of earnings news. Examining potential explanations for the observed attenuation, our empirical tests support the notion that the attenuation is in part attributable to competitive forces and to information leakage.