

# Is There News in the Timing of Earnings Announcements?

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# **Is There News in the Timing of Earnings Announcements?**

## **Abstract**

This study examines the value relevance of the timing of earnings announcement dates relative to prior expectations. It shows that when firms advance their earnings announcements at least four days prior to expectations, the earnings surprises in those quarters tend to be positive and the abnormal returns from two days after the earnings release date was announced through one day after earnings are actually announced are positive and significant. The converse is true for firms that delay their earnings announcement at least four days relative to prior expectations. The study also shows that firms which delay their earnings release date at least four days after previously setting the date earlier are characterized by both negative earnings surprises and abnormal returns from the delay announcements through one day after the actual earnings announcement date. These results can be used by investors to earn abnormal returns, by security analysts in revising their forecasts, and by option traders when earnings announcement dates cross option expiration dates.

## **Introduction**

The academic literature has conjectured and documented that firms with negative earnings surprises are more likely to delay their earnings announcements, and those with good news are more likely to report them earlier (Givoly and Dan 1982; Chambers and Penman 1984; Bagnoli et al. 2002). The rationale for this managerial behavior is that managers who have negative earnings surprises are more likely to delay the disclosure of negative news, hoping to "soften the blow" by disclosing some positive news at the same time, such as a major new customer, a major order, a new strategic partnerships, a positive FDA action, etc. They also hope that other firms in the industry will report even worse news first, so their own bad news will not cause a strong negative market reaction. In contrast, when the firm has a positive earnings surprise, it is more likely to rush and disclose it early for several reasons. It can upstage similar good news by other firms in the same industry, it can set the bar higher for other firms in the industry, it can attract analysts' and institutional investors' attention, and it reduces the likelihood that a negative event will occur (such as a natural disaster, regulatory investigation, revoking its license), which would need to be disclosed with earnings, potentially harming the good earnings surprise. Thus, the timing of the earnings disclosure can potentially signal the direction of the earnings surprise.

If the timing of the earnings announcement date is a signal of the subsequent earnings surprise, investors can potentially capitalize on this and earn abnormal returns when they find out the date on which earnings are to be released. The difficulty in executing such a strategy is to forecast the (expected) earnings announcement date, so one can decide whether the announced disclosure date has been delayed or advanced as compared to the prior expected date. The existing literature typically uses the actual reporting date of the last fiscal period or the same quarter in prior years as the expected reporting date. It is therefore easier to identify late

announcers when they miss their expected reporting date. Identification of early announcers is typically possible only if firms announce their earnings release date ahead of the expected earnings release date. For example, suppose the firm has typically announced earnings of the third fiscal quarter that ends on September 30 about 25 days later. Therefore, the firm is expected to announce earnings for the third quarter of 2014 on October 27, 2014, because October 25, 2014 is a Saturday. If the firm announces on October 5, 2014 that earnings will be announced on October 31, 2014, we can classify this announcement as a firm that delays its earnings release by four days, potentially conveying negative news to the market as of October 5, 2014. However, if on October 5, 2014 the firm announces that earnings will be released on October 20, 2014, seven days ahead of schedule, then a positive earnings surprise can be expected already as of October 5, 2014, allowing investors to take long positions in the firm, expecting the future positive earnings surprise and the associated market return to be positive. Suppose now that the firm does not announce when earnings will be released. Then, we can only assume the firm is late on October 27, 2014 when earnings were not released. On that date, we can take a short position in the firm in anticipation of negative earnings news whenever they would be announced. However, we cannot identify early announcers until after the expected date of October 27, 2014. Thus, to be able to trade on the timing of earnings announcements we need a good source of expected earnings announcement dates, as well as company announcements about their earnings disclosure dates that are well ahead of the earnings announcement.

We use the forecasted and actual earnings report dates by Wall Street Horizon, Inc. (WSH), a company that specializes in forecasting and verifying earnings release dates, as well as other upcoming events about firms. WSH forecasts the upcoming earnings report date based on historical patterns such as typical lags from quarter-end in prior quarters, a historical preference

for the day of the week (such as the third Tuesday after quarter-end), etc. It then attempts to verify the actual date on which earnings will be released by using company announcements, information on the company website, or private communication with the company. Once it is able to verify an earnings report date, WSH changes the status of the expected earnings release date to “verified” from “tentative”, which represents WSH's own prior forecast. In some cases, it may change the “verified” earnings announcement date to another “verified” date, based on an updated calendar. This may occur if a firm moves its earnings report date to either an earlier date than what was previously communicated to the market or, as is more common, to a later date. The advantage of using the WSH forecasted dates is that WSH has been following earnings announcement dates and their patterns since 2006, has an incentive to carefully examine earnings disclosure date patterns over time, and is dedicated to this effort. Also, WSH's analysts proactively reach out to companies in an effort to verify the earnings release dates.

We examine the stock returns following the events when the earnings announcement dates change from “tentative” (expected or forecasted) to “verified” (DTV events), and from previously “verified” dates to later “verified” dates (DVV events). For DTV events, the returns are significantly positive (negative) on average and the subsequent earnings announcements indeed convey good (bad) news when firms advance (postpone) their earnings announcements. We find that in the period 2006-2013 using a strategy that holds long positions in firms that advance their disclosure dates and short those that delay the announcements earns 119 basis points from two days after the DTV change date through one day after the subsequent earnings announcement date, and 256 basis points through 90 days after the subsequent earnings announcement date. A monthly trading portfolio (rebalanced at the end of each month) that holds

the stocks of firms advancing earnings announcements in the prior 45 days earns 89 basis points on average every month in the period 2006-2013.

We further find that firms that delay their earnings release date further after they have communicated an earlier release date, actually have negative returns of 177 basis points from two days after the status change date (DVV) through one day after the actual earnings announcement. The actual earnings surprise following these DVV events is significantly negative as well, indicating that companies which delay their earnings announcement date, after committing to an earlier date, are likely doing it because of negative events or information.

Our study can be useful for investors in identifying long positions of firms that advance their earnings announcement dates and are more likely to have positive earnings surprises and stock returns. It can also be used to identify either candidates for short positions, companies that delay their earnings announcement dates, and, in particular, companies that confirm an earnings release date and then delay it. Alternatively, the study may be used as a way to highlight potential red flags about companies that delay their earnings report dates, which are typically associated with negative earnings surprises and negative returns. We also provide easy-to-implement profitable trading strategies that can be built from systematic investments in firms that either delay or advance their earnings release dates and are rebalanced monthly. The findings also have implications for financial analysts who can modify their forecasts when firms advance or postpone earnings announcement dates. Finally, option traders can also modify their trading strategies when the status of actual reporting dates changes, especially when they cross option expiration dates.

## **Literature review, data and methodology**

By comparing the number of firms that announce earnings early or late based on chronological order, Givoly and Palmon (1982) provide early evidence that bad news seems to be delayed whereas good news earnings are announced earlier. Chambers and Penman (1984) find that the abnormal returns over the actual earnings announcement window are significantly positive for firms that release earnings unexpectedly early (relative to the actual reporting date of the same quarter last year). In addition, late announcers have negative returns from one day prior to expected announcement date to three days prior to actual reporting date. Bagnoli et al. (2002) use the expected reporting dates voluntarily provided by management and document negative earnings news for firms that delay the actual earnings announcements. They do not find significant association between early announcers and positive earnings news. On the other hand, they find negative returns around the expected reporting date for late announcers. Our paper is closely related to Penman (1984) that documents a profitable trading strategy by shorting firms that do not announce earnings at expected dates and closing the position several days after the actual earnings reporting dates. It is also profitable to hold long positions in firms that announce earnings unexpectedly early, which is consistent with continuous upward drift following good news. So far, the literature identifies early announcers when the firms actually report earnings earlier than expected, and late announcers when the firms miss the expected earnings announcement dates.

This paper uses data provided by Wall Street Horizon, Inc. (WSH) that can identify early and late announcers way ahead of the actual earnings announcement dates or the expected earnings announcement dates. WSH provides a real-time database of upcoming earnings announcement dates that are forecasted or confirmed. We focus on two types of information events (DTV and DVV) in this paper. DTV refers to cases where the expected earnings

announcement dates change from “tentative” (T) to “verified” (V). The tentative earnings announcements are usually forecasted by the analysts at WSH based on patterns in previous fiscal periods’ earnings announcement dates. Later on, the forecasted announcement dates may be verified by company press releases, postings on the company's website, or through direct contacts by WSH analysts. We require the confirmed (verified) earnings announcement dates to be at least 4 days away from the tentative-forecasted dates (either earlier or later). This is done to focus on meaningful delays or advances of earnings report dates. We also require the status change dates to be at least 5 days away from the actual earnings announcement dates.

We examine the stock market reactions when earnings announcement dates change from “tentative” to “verified”. Specifically, if the change of an earnings announcement date is a signal of future earnings surprise, market reactions should be different between firms that decide to announce earnings earlier and firms that postpone their announcements. We expect the market reactions to be positive if firms decide to announce earnings earlier and to be negative if firms decide to postpone earnings announcements. We also form a trading strategy that takes long positions in stocks of firms that announce earnings earlier than expected and short positions in stocks of firms that postpone earnings announcements. We expect such a strategy to generate significant positive abnormal returns.

In addition to studying the cases where a firm delays or advances its earnings release date relative to the forecasted date by WSH, we also investigate the DVV events where earnings announcements change from previously “verified” dates to later “verified” dates. Compared to DTV events, DVV events suggest managers made conscious choice about the issuance date of earnings and could potentially be signaling private information to investors through the announcement of a delay in the earnings release date. Specifically, we focus on cases where the



new verified earnings announcement date is delayed by at least 4 days from the previously confirmed date. Similarly, the status change date is at least 4 days away from the new verified earnings announcement date. We expect these types of delay announcements to convey negative signals to market participants about future earnings news and to be associated with negative stock returns.

A contemporaneous working paper by So (2014) uses the same WSH data as we do and reaches similar conclusions.<sup>1</sup> Our analysis differs from his in the following ways. So (2014) does not examine the DVV events, and concentrates only on the DTV events. His testing methodology allows all advances and delays of at least two days, not only those that are at least four days apart, as we do. We study tradable strategies from two days after the DTV or DVV events are announced by WSH through one or 90 days after the next earnings announcement. In contrast, So (2014) uses a fixed window of 21 trading days. We also provide information about calendar time returns that mimic a trading strategy with monthly rebalances, which would be more representative of what a professional investor would do to apply this trading strategy.

The abnormal returns in this study are raw buy and hold returns on the firm minus a value-weighted buy and hold return on a characteristics-matched portfolio of similar firms. Firms are matched on size (market value of equity, 3 groups), book to market (B/M, 3 groups), and 11-month momentum in month  $t-12$  to  $t-1$  (3 groups). All returns are from CRSP. This methodology to calculate abnormal returns based on firm characteristics was used by Daniel et al. (1997), as well as Kacperczyk et al. (2005) and Jin et al. (2012). In essence, it is a generalization of the size-adjusted returns methodology, which was used by many studies, including Sloan (1996).

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<sup>1</sup> We became aware of So's work only after most of the analyses in our study were done and major parts of the preliminary draft were written.

After the work of Fama and French (1992), which showed that beta adjustments are inferior to size and B/M adjustments in explaining cross-sectional returns, researchers began using size-adjusted returns, or size and B/M adjusted returns, and more recently, size, B/M and momentum adjusted returns. In general, a firm is matched to other firms that have the same characteristics (such as size, B/M, and momentum). The return on the particular firm is compared to a value-weighted average return of these similar firms to determine if the firm has an abnormal positive or negative return. In our case, we use a monthly assignment of all stocks into 27 groups based on their size, B/M and 11-months momentum in months [t-12, t-1]. We calculate a value-weighted average return for each of the 27 groups in each trading day of the following month. We then calculate abnormal buy and hold return for a particular firm as the buy and hold return on the firm's stock minus the buy and hold value-weighted return on its matched characteristics portfolio.

Earnings surprises are based on preliminary earnings per share (EPS) minus expected EPS, divided by the standard deviation of earnings news in the prior eight quarters. Expected EPS is EPS in quarter t-4 plus the average difference between EPS in quarter t and quarter t-4 over the prior eight quarters.<sup>2</sup> This represents a standard earnings surprise measure in the SUE literature (Bernard and Thomas 1990; Jegadeesh and Livnat 2006). The data for the earnings surprises are from the Point-In-Time Quarterly Compustat database.

## **Results**

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<sup>2</sup> Define  $E_t$  as EPS at quarter t.  $SUE_t = (E_t - E_{t-4} - G_t) / STD$ , where  $G_t = 1/8 * (\sum_{t-9}^{t-1} E_t - E_{t-4})$ , and STD is the standard deviation of the series  $(E_t - E_{t-4})$  over the 8 quarters t-9 through t-1.

We first examine the percentage of positive and negative earnings surprises after earnings announcement dates change from “tentative” to “verified”. Panel A, Table 1 shows that if the confirmed earnings announcement dates are earlier than the previous tentative dates, more than half (50.56%) of the earnings announcements convey good news, compared to 44.60% positive earnings announcements following delayed announcement dates. Similarly, Panel B, Table 1 shows that for firms that advance their earnings announcements, 52.77% of observations have positive returns from two days after the status change date to one day after subsequent earnings announcement dates. For firms that delay their earnings announcements, less than half (47.21%) of the observations have positive returns from two days after the status change date to one day after the subsequent earnings announcement date. When we compare the returns from two days after the status change date to 90 days after the subsequent earnings announcement date, we get similar results, as is shown in Panel C, Table 1. The results in Table 1 confirm the intuition that firms which advance their earnings release date are more likely to have positive earnings surprises and also positive returns. Conversely, firms that delay their earnings release date are more likely to have negative earnings news and lower abnormal returns.

Table 2 shows the average returns and earnings surprises following DTV events. For 5,081 observations where firms advance their earnings announcements, the average return is statistically positive (0.20% with  $p$ -value of 0.016) around the status change date (i.e., in the short window  $[-1, +1]$  where the status change date is day 0). A portfolio of long positions in the stocks that advance the earnings announcement date earns 115 basis points from two days after the status change date to one day after the subsequent earnings announcement date, and 216 basis points from two days after the status change date to 90 days after the subsequent earnings announcement date. The median earnings surprise is significantly positive (0.073 with  $p$ -

value $<0.001$ ). We look at the median instead of the mean because the earnings surprise variable is highly skewed. Due to the matching with Compustat to get the earnings surprise data, the number of observations is smaller.

The sample of firms that delay their earnings announcements is larger (13,429 observations). The average short-window  $[-1, +1]$  return around status change date is negative (-0.05%), but not significant. However, the average return is significantly negative from two days after the status change date to one day after the subsequent earnings announcement date (-0.44%), and from two days after the status change date to 90 days after the subsequent earnings announcement date (-0.78%). Similarly, the median earnings surprise at the subsequent earnings announcement is also significantly negative (-0.102 with  $p$ -value $<0.001$ ).

Panel A, Table 3 presents the characteristics of firms that change earnings announcement dates from “tentative” to “verified”. Firms that advance their earnings announcement dates are generally smaller and have lower book-to-market ratio. They are likely to be small growth stocks that release good earnings news for investors. For firms that advance (delay) their earnings announcements, the median number of days that they shift the earnings release date is 7 (6).

Panel B, Table 3 presents the regression results regarding the association between DTV events and subsequent stock returns, controlling for other firm characteristics. *EARLY* is an indicator variable that equals 1 if a firm advances its earnings announcement date, and 0 if a firm delays its earnings announcement. Therefore, the coefficient on *EARLY* could be interpreted as a trading strategy that holds long positions in stocks advancing their earnings announcements, and short positions in stocks that delay their earnings announcements. The coefficients and  $t$ -stats are estimated via a Fama-Macbeth (1973) method over 31 quarters (from the first quarter of 2006 to the third quarter of 2013). This methodology runs a cross-sectional regression using all

observations with a status change date during that calendar quarter.<sup>3</sup> The coefficients of these 31 quarterly regressions are then averaged, and their means and standard deviations are used to calculate *t*-statistics to determine statistical significance. The results in column (2) and (3) suggest that the mean hedge return is 118 basis points (0.012 with a *t*-stat of 4.41) from two days after the status change date to one day after the subsequent earnings announcement date, and 256 basis points (0.026 with a *t*-stat of 4.16) from two days after the status change date to 90 days after the subsequent earnings announcement date.

The next trading strategy we create is implementable with rebalancing at the end of every month. At each month end, we identify a sample of firms that either advance or delay their earnings announcements in the past 45 days. We then hold long positions in stocks of firms that advance their reporting date and short positions in stocks of firms that delay their earnings announcements, and hold this portfolio for one month. We also require at least 10 stocks on the long side, to have a minimum number of positions in any month being analyzed<sup>4</sup>. The number of short positions is always greater than 23. Figure 1 shows the number of long positions on the primary axis and short positions on the secondary axis. This process yields 82 trading portfolios from October 2006 to August 2013. Table 4 shows that the average long-portfolio return is 89 basis points (significant at 0.005 level). However, the average short-portfolio return is 29 basis points, statistically insignificantly different from zero.<sup>5</sup> The average hedge-portfolio return is 119 basis points, statistically significant at the 0.0001 level.<sup>6</sup> Figure 2 shows the long-portfolio

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<sup>3</sup> This is one of the methods researchers use to control for cross correlations among the same firms over time. We have also used a two-way clustering using firms and quarters to cluster observations with very similar results.

<sup>4</sup> There is only one month with fewer than 10 stocks for the long position (December 2012) and we have excluded this month in the analysis.

<sup>5</sup> We multiply the return of short portfolios by -1 for presentation purposes throughout the paper. Accordingly, the hedge-portfolio return equals to the long-portfolio return plus the short-portfolio return.

<sup>6</sup> We also ran a regression of the monthly raw portfolio returns minus the risk-free rate (RF) on the Fama & French monthly factors of RM minus RF, SMB (size), HML (book-to-market), MOM (momentum), and St.REV (short-term return reversal). The intercepts were 139 basis points for the long portfolio and 107 basis points for the hedge

returns for each month. 51 portfolios out of 82 months (62.2%) have positive returns. Figure 3 shows the hedge-portfolio returns for each month. 60 portfolios out of 82 months (73.2%) have positive returns. Figures 2 and 3 also show that, if anything, the strategy became more profitable in the later sub-period of analysis. Indeed, the long portfolio had an average monthly abnormal return of about 37 basis points in 2006-2009, and 153 basis points in the period 2010-2013.

To strengthen our confidence about the results, we reconstruct long and short monthly portfolios, but only if there are at least 25 securities on each side. If at any month-end there are fewer than 25 securities in either the long or the short portfolio, we do not invest any money that month. Using this approach, we have 73 months in which we make investments, yielding a monthly average of 90 basis points on the long portfolio (significant at 0.004 level), and 11 basis points on the short portfolio. The hedge portfolio yields 101 basis points (significant at 0.0004 level). We also eliminate the top 10 most positive abnormal return observations from the long portfolios and the 10 most negative abnormal return observations from the short portfolios, to test whether our results are driven by outlier returns. We find that the average monthly abnormal return is 70 basis points (significant at 0.021 level) for the long portfolio, 7 basis points for the short portfolio, and 77 basis points for the hedge portfolio (significant at 0.0048 level). Thus, our results are not driven just by outlier observations.

Finally, we examine the average returns and earnings surprises when firms change their previously “verified” earnings announcement dates to a later “verified” date (DVV events) in Table 5. The mean return around the status change date (short-window [-1, +1]) is -0.45%, which is not statistically significant. The average return from two days after the status change date to two days before the subsequent earnings announcement date is negative 91 basis points ( $p$ -

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portfolio, both statistically significant. For the short portfolio, the intercept was an insignificant -41 basis points. None of the portfolios showed any tilt on size, momentum or short-term reversals.

value= 0.009), and the average return is negative 177 basis points ( $p$ -value= 0.002) from two days after the status change date to one day after the subsequent earnings announcement date, suggesting almost half of the negative return happens around the subsequent earnings announcement. This shows the importance of inclusion of the subsequent earnings announcement window in the portfolio holding period. The median earnings surprise at the subsequent earnings announcement is also significantly negative (-0.268 with  $p$ -value<0.001).

## **Conclusions**

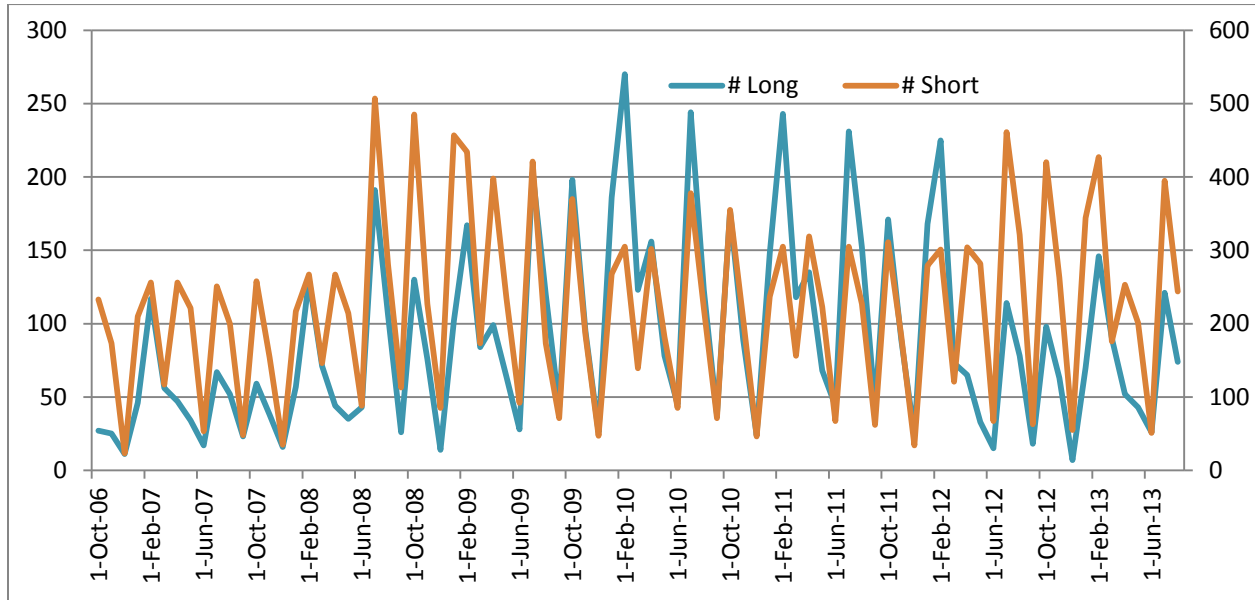
Consistent with prior studies, we show that the mere announcement of a scheduled earnings release date itself can be associated with significant abnormal returns if it either advances or delays the earnings announcement relative to prior expectations. Specifically, when firms advance their earnings reporting date by four days or more, the returns from two days after the announcement through one day and 90 days after the subsequent earnings announcement date are significantly positive, as are the earnings surprises announced by these firms. In contrast, when firms delay their earnings release date by four days or more relative to the expected day prior to the announcement, stock returns from two days after the announcement through one or 90 days after the next earnings announcement are significantly negative, as are the announced earnings surprises. A trading strategy that takes long positions in the stocks of firms that advance the earnings announcements generates significantly positive abnormal returns. The findings are relevant for investors that seek arbitrage opportunities based on the timing of earnings announcements, as well as to researchers that examine the information content of earnings announcement schedules.

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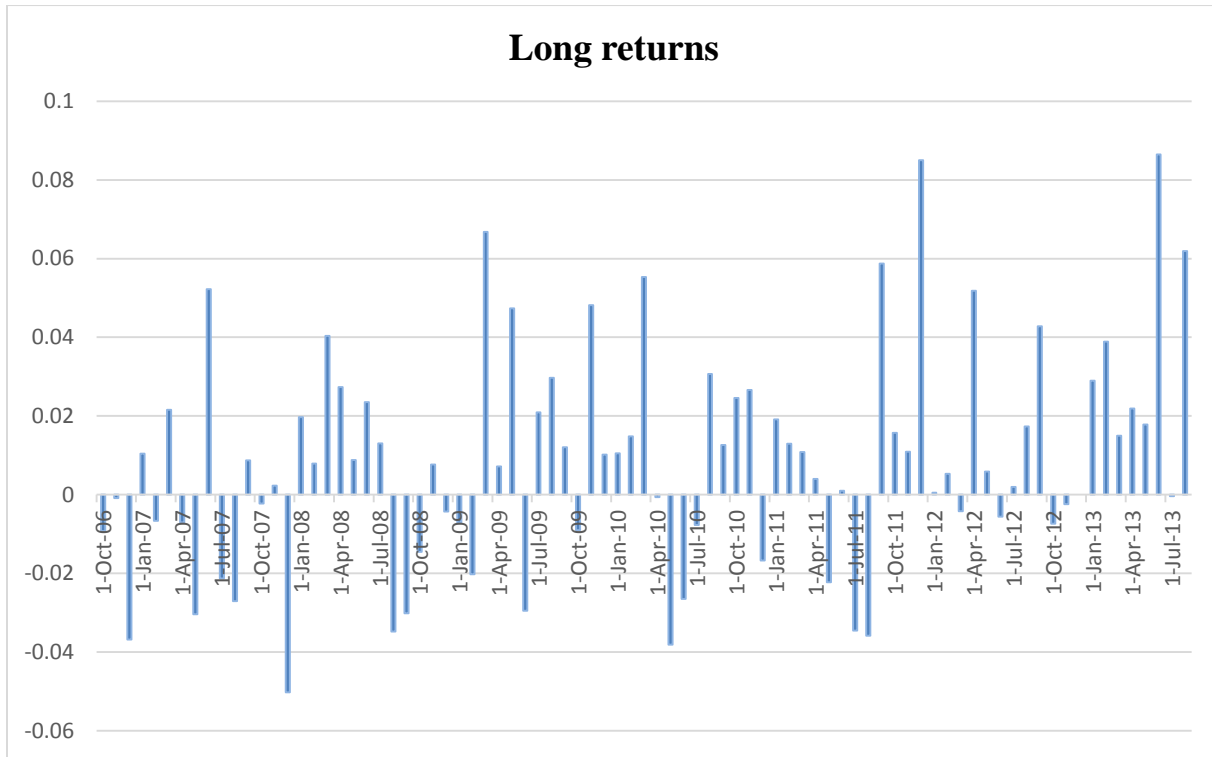


**FIGURE 1**



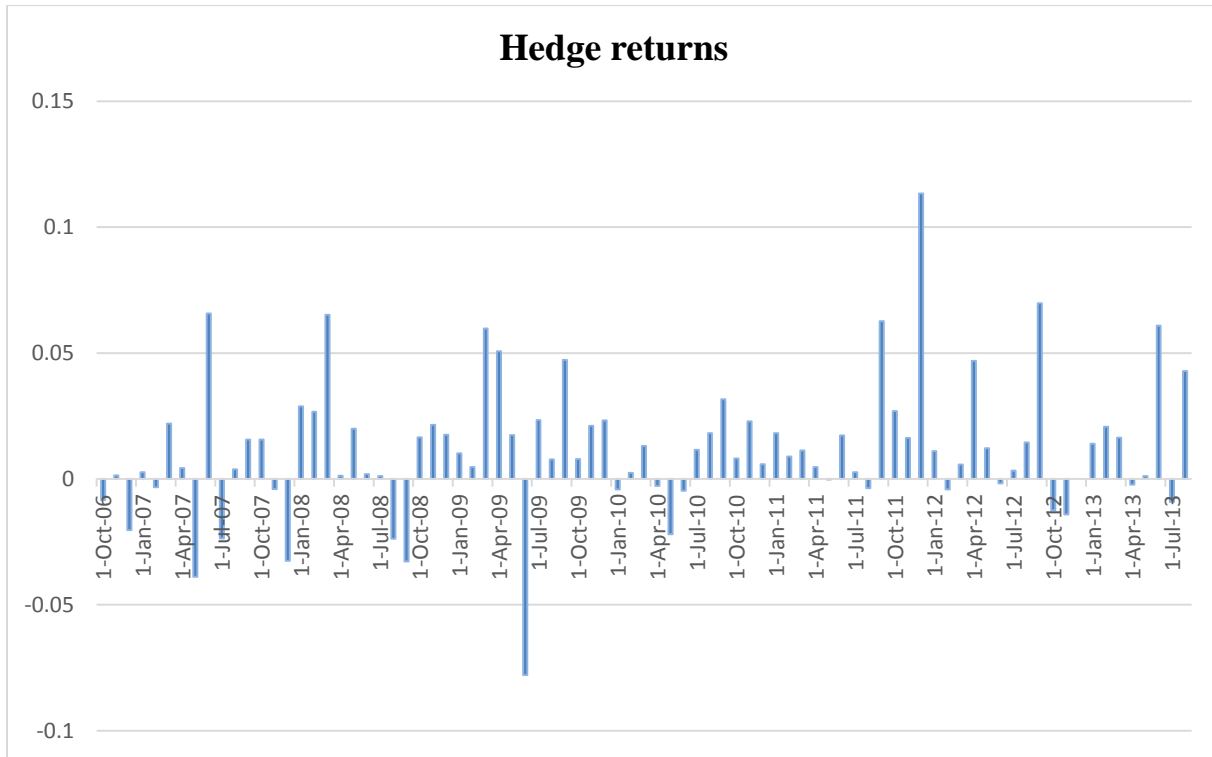
Note: This figure shows the number of positions in the long portfolio (on the primary axis) and the number of the short positions (on the secondary axis) during the 82 months from October 2006 to August 2013.

**FIGURE 2**



Note: This figure shows the abnormal returns of long portfolios formed at each month-end. To be included in the portfolio, a firm had to announce an earnings release date that was at least four days earlier than previously expected. The portfolio includes all such firms in the 45 days prior to each month-end. The figure shows that 51 portfolios out of the available 82 months (from October 2006 to August 2013) have positive returns.

**FIGURE 3**



Note: This figure shows the returns of hedge portfolios formed at each month-end. To be included in the portfolio, a firm has to announce an earnings release date that is at least four days earlier or later than previously expected. The portfolio includes all firms that make such announcements in the 45 days prior to each month-end. The hedge portfolio holds long positions in firms that advance their earnings release date and short positions in firms that delay their earnings release date. 60 hedge portfolios out of 82 months (from October 2006 to August 2013) have positive returns.

**TABEL 1: Percentage of positive/negative earnings surprises and returns after DTV events**

Panel A: Subsequent earnings surprise

Earnings announcement date change from tentative to verified	Percentage of positive earnings surprises	Percentage of negative earnings surprises
Earlier	50.56%	49.44%
Delayed	44.60%	55.40%

Panel B: Return from two days after status change date to one day after the subsequent earnings announcement date

Earnings announcement date change from tentative to verified	Percentage of positive returns	Percentage of negative returns
Earlier	52.77%	47.23%
Delayed	47.21%	52.79%

Panel C: Return from two days after status change date to 90 days after the subsequent earnings announcement date

Earnings announcement date change from tentative to verified	Percentage of positive returns	Percentage of negative returns
Earlier	50.68%	49.32%
Delayed	46.88%	53.12%

Note: This table presents the percentages of positive and negative earnings surprises and returns after earnings announcement dates change from “tentative” (based on WSH forecast) to “verified” (announced by the firm). The sample period is from 2006 to 2013. “Earlier” (“Delayed”) means the verified forthcoming actual reporting date is earlier (later) than the previous tentative-forecasted reporting date by at least four days. Earnings surprise is based on preliminary earnings minus expected earnings (earnings four quarters before with a trend), divided by the standard deviation of earnings news in the prior eight quarters. Returns in the table are raw buy and hold returns minus buy and hold returns of firms with similar size, B/M and momentum characteristics.

**TABLE 2: Average return and earnings surprise following DTV events**

Earnings announcement dates change from tentative to verified	<i>Return results</i>				<i>Earnings surprise results</i>	
	Mean return around status change date ( <i>p</i> -value)	Mean return from two days after status change date to one day after the subsequent earnings announcement date ( <i>p</i> -value)	Mean return from two days after the status change date to 90 days after the subsequent earnings announcement date ( <i>p</i> -value)	Number of observations	Median earnings surprise at the subsequent earnings announcement ( <i>p</i> -value)	Number of observations
Earlier	0.20% (0.016)	1.15% (<0.001)	2.16% (<0.001)	5,081	0.073 (<0.001)	4,768
Delayed	-0.05% (0.327)	-0.44% (<0.001)	-0.78% (<0.001)	13,429	-0.102 (<0.001)	13,130

Note: This table presents the average return around the status change date, i.e., the short window [-1, +1] where day 0 is the day status was changed from tentative (expected by WSH) to verified (announced by the firm), or [+2, EA+1] or [+2, EA+90], where EA is the actual earnings announcement date. The sample period is from 2006 to 2013. “Earlier” (“Delayed”) means the verified forthcoming reporting date is earlier (later) than the previous expected reporting date by at least four days. The last two columns present the median earnings surprise when actual earnings are announced subsequently. Earnings surprise is based on preliminary earnings minus expected earnings (earnings four quarters before with a trend), divided by the standard deviation of earnings news in the prior eight quarters. Returns in the table are raw buy and hold returns minus buy and hold returns of firms with similar size, B/M and momentum characteristics.

**TABLE 3: Hedge portfolio returns controlling size and book-to-market**

Panel A: Characteristics of firms that advance or delay earnings announcements

Earnings announcement dates change from tentative to verified	Median size (in millions)	Median book-to-market	Median difference in announcement dates	Median number of days till actual earnings announcement
Earlier ( <i>EARLY</i> =1)	\$575	0.516	7	13
Delayed ( <i>EARLY</i> =0)	\$728	0.539	6	17

Panel B: The association between advancing/delaying earnings announcement date and returns

Dependent Variables:	Return around status change date (1)	Return from two days after status change date to one day after the subsequent earnings announcement date (2)	Return from two days after status change date to 90 days after the subsequent earnings announcement date (3)
<i>INTERCEPT</i>	0.003** (2.10)	-0.008 (-1.26)	-0.030* (-1.71)
<i>EARLY</i>	0.002 (1.27)	0.012*** (4.41)	0.026*** (4.16)
<i>SIZE</i>	-0.001** (-2.62)	0.001 (1.35)	0.003 (1.68)
<i>BTM</i>	-0.001 (-0.91)	-0.003 (-1.20)	-0.002 (-0.37)
Number of quarters	31	31	31
Mean R-Squared	1.10%	1.38%	1.92%

Note: *EARLY* is an indicator variable that equals 1 when a firm advances the earnings announcement date, and 0 when a firm delays it. The sample period is from 2006 to 2013. *SIZE* is the market value of equity. *BTM* is the ratio of book value of equity to market value of equity. The coefficients and *t*-statistics in Panel B are estimated via Fama-Macbeth (1973) quarterly cross-sectional regressions. Returns in the table are raw buy and hold returns minus buy and hold returns of firms with similar size, B/M and momentum characteristics. \*\*\*, \*\*, and \* denote significance level at 1%, 5% and 10%, respectively.

**TABLE 4: Monthly portfolio returns**

	Mean return ( <i>p</i> -value)	Average number of firms
<i>Long</i>	0.89% (0.005)	90
<i>Short</i>	0.29% (0.149)	224
<i>Hedge</i>	1.19% (0.0001)	
Number of months	82	

Note: This table shows the average returns of portfolios taking long positions in stocks that advance the earnings announcement dates and/or short positions in the stocks that delay the earnings announcements in the prior 45 days before each month-end. The sample period is from 2006 to 2013. Returns in the table are raw buy and hold returns minus buy and hold returns of firms with similar size, B/M and momentum characteristics. We multiply the return of short portfolios by -1 for presentation purposes throughout the paper. We require at least 10 positions in each month for the long and short portfolios.

**TABLE 5: Average return and earnings surprise following DVV events**

Earnings announcement dates change from verified to <b>later verified dates</b>	<i>Return results</i>				<i>Earnings surprise results</i>
	Mean return around status change date ( <i>p</i> -value)	Mean return from two days after status change date to two days before the subsequent earnings announcement date ( <i>p</i> -value)	Mean return from two days after the status change date to one day after the subsequent earnings announcement date ( <i>p</i> -value)	Mean return from two days after the status change date to 90 days after the subsequent earnings announcement date ( <i>p</i> -value)	Median earnings surprise at the subsequent earnings announcement ( <i>p</i> -value)
Delayed	-0.45% (0.136)	-0.91% (0.009)	-1.77% (0.002)	-2.10% (0.253)	-0.268 (<0.001)
Number of observations	588	588	588	560	503

Note: This table presents the average return around status change date, from two days after the status change date to two days before the subsequent earnings announcement date, from two days after the status change date to one day after the subsequent earnings announcement date, and from two days after the status change date to 90 days after the subsequent earnings announcement date. The sample is limited to firms that delay their previously “verified” reporting dates to later “verified” dates which are at least four days apart. The sample period is from 2006 to 2013. The last column presents the median earnings surprise when actual earnings are announced. Earnings surprise is based on preliminary earnings minus expected earnings (earnings four quarters before with a trend), divided by the standard deviation of earnings news in the prior eight quarters. Returns in the table are raw buy and hold returns minus buy and hold returns of firms with similar size, B/M and momentum characteristics.