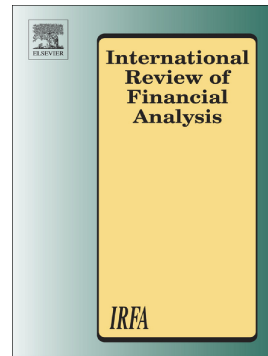


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# Dividend Guidance to Manage Analyst Dividend Expectations

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## ABSTRACT

Using a sample of dividend payers from 12 European countries, we document that managers guide analyst dividend expectations to avoid reporting dividends below the consensus forecast. Specifically, we show that dividend guidance predicts (1) a substantial reduction in analyst dividend forecast optimism over the course of the fiscal year and (2) that a firm will meet or beat the consensus dividend forecast by a small margin. Managers guide analyst dividend expectations to avoid negative price reactions when reporting negative dividend surprises. Our results, which are robust to endogeneity and self-selection concerns and control for contemporaneous earnings guidance, highlight the important role dividend guidance plays in managing analyst dividend expectations.

*Keywords:* Dividend signaling; Dividend expectations management; Walkdown in analyst dividend forecasts; Managerial guidance.

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