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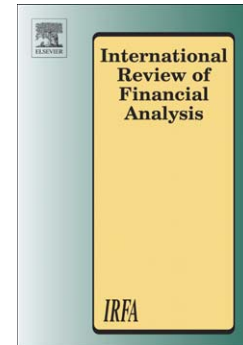
When does the tone of earnings press releases matter?

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# When does the tone of earnings press releases matter? ☆,☆☆

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## Abstract

The tone of a firm's financial disclosure is increasingly used as a variable in panel data regressions to predict future performance and explain investors' reaction at earnings announcement. We investigate when tone is informative, and argue that the informativeness of tone increases with the information asymmetry between firms and investors. Using a sample of over 50,000 earnings press releases of about 1,800 U.S. public firms between 2004 and 2015, we find that firm growth, size, age, complexity and forecast inaccuracy are key drivers of tone informativeness. The effect is economically significant, since, compared to the reference case of a transparent firm, we find that the slope coefficient of tone doubles or even quadruples in panel data regressions when the firm operates in an environment with high information asymmetry.

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