Financial statement comparability and managers' linguistic choices in conference calls

Abstract

This study examines the impact of financial statement comparability on managers' decisions of linguistic complexity in conference calls. We find that financial statement comparability lowers managerial linguistic complexity during conference calls. However, when further decomposing managerial linguistic complexity into an information component and an obfuscation component, we find that comparability lowers the information component of conference calls, but not the obfuscation component. This finding provides an alternative explanation for the negative association between comparability and managerial linguistic complexity, suggesting that managers strategically adjust the information content of disclosure during conference calls depending on financial information comparability. This strategic disclosure behavior in conference calls is manifested under strong management disclosure incentives and management ability. Overall, our findings advance our understanding of management disclosure incentives regarding voluntary disclosure concurrently with financial statement comparability.

Keywords: earnings conference calls; financial statement comparability; textual analysis

1. Introduction

Comparable financial statements reduce the costs of information gathering and processing and increase the usefulness of financial information by identifying the similarities and differences across different entities. Prior research documents the benefits of comparability on corporate outsiders' ability to process information (Choi et al., 2019; De Franco et al., 2011; Imhof et al., 2017; Kim et al., 2013; Kim et al., 2016).

Specific to the disclosure literature, the effect of comparability on management's voluntary disclosure has been examined by Gong et al. (2013). For example, managers can use various voluntary disclosure channels, including non-GAAP earnings, MD&A, and earnings forecasts, to fill gaps created by non-comparable financial statements. That is, less comparable financial statements will motivate managers to use voluntary disclosure channels strategically. Gong et al. (2013) find that managers are more likely to issue earnings forecasts when their companies' financial statement comparability with other firms is lower to reduce information asymmetry between managers and investors and to preempt high costs of acquiring and processing information by outsiders.

However, these aforementioned disclosure channels have limitations. They are paper-based, rigid, and unresponsive disclosure channels. Thus, managers may have to verbally explain information contents during conference calls that are absent in both non-comparable financial statements and other paper-based voluntary disclosure channels. Compared to other disclosure channels, managers' linguistic complexity in conference calls conveys unique and qualitative information and is more likely to reflect an intentional disclosure choice by managers (Bushee et al., 2018). Bushee et al. (2018) discuss that other SEC filings often use considerable boilerplate language that usually stay similar over time, while the language on conference calls is less directed

by regulation and accounting standards than that in other SEC filings. That is, the language on conference calls varies from period to period and follows a relatively more flexible format than that in other SEC filings.

As suggested by prior comparability studies (e.g., De Franco et al., 2011; Sohn, 2016; Young & Zeng, 2015), financial statement comparability helps outsiders obtain and process firm financial information, thereby alleviating asymmetric information between investors and managers. Shen, Xie, and Xie (2022) argue that financial statement comparability allows investors to trade based on information from comparable financial reporting without further acquiring additional information. Even though managers generally have private information regarding their firms' operation and business strategies, managers' incentives to provide incremental information during conference calls will be lower when high financial statement comparability reduces information asymmetry, thereby already improving the information environment for investors.

Additionally, Verrecchia (1983) introduces the costs associated with disclosing information, including the cost of preparing and disseminating information, more broadly proprietary in nature, and therefore potentially damaging, as an important reason that managers do exercise discretion in the information disclosure. As comparable financial information increases publicly available information and decreases the amount of private information that managers possess, the information that managers possess is more likely to be superior, private, and crucial to their business, leading to higher disclosing costs. Also, comparable financial statements allow more information to be available to labor unions, competitors, and regulators which strengthens monitoring from stakeholders; therefore, managers may withhold incremental qualitative information during conference calls to prevent the potential damages of disclosing that information to labor unions, competitors, and regulators. An example from Verrecchia (1983) shows that there

were fewer concessions by the labor unions after the Chrysler Corporation's chairman had disclosed that the fortunes had improved.

We thus expect that managers in firms with high financial statement comparability are more likely to withhold information during conference calls.

However, it is possible that managers provide both high comparable financial statements and more information components in conference calls because the information environment of a firm can be reflected in both comparability and conference calls. For example, firms with high-quality information environments have both comparable financial statements and more informative conference calls. Also, as previously evidenced by Gong et al. (2013), the relation between them might not exist because other paper-based voluntary disclosure channels such as issuing frequent earnings forecasts are already playing a role in improving the information environment for firms with non-comparable financial statements. Therefore, it is unclear how management utilizes conference calls to convey information concurrently with comparable financial information.

In this study, we investigate management disclosure strategies by examining the association between the comparability of financial information and managerial linguistic complexity on conference calls. We measure financial statement comparability based on the idea that the accounting system maps a firm's economic events (return) onto its financial statement (earnings) (De Franco et al., 2011). Using a sample of 15,113 conference calls from 2002 to 2017, we measure managerial linguistic complexity during conference calls by applying the Fog index of managers' language during the presentation portion.[1]

[1] Our main analysis uses the presentation part prepared by managers to examine the management incentives rather than the Q&A part because we attempt to capture management incentives rather than analysts' incentives in the conference calls. Analysts often determine and influence managers' linguistic attributes in the Q&A part where

We find a significant negative association between financial statement comparability and managerial linguistic complexity, suggesting that when financial statement comparability is higher, managerial linguistic complexity is lower during conference calls. This negative association may be driven by firms with a high (low) information environment which have high (low) comparable financial statements and lower (higher) managerial linguistic complexity in conference calls.

However, when we follow Bushee et al. (2018) and further decompose the linguistic complexity into an information component and an obfuscation component, we find that comparability lowers the information component of conference calls, but not the obfuscation component. This result clarifies our interpretation of the negative association between comparability and linguistic complexity by showing that such negative relation is not from greater comparability lowering managerial obfuscation but rather is from greater comparability disincentivizing managers to disclose information clues during conference calls. These findings provide evidence that managers strategically adjust the information content during conference calls considering the comparability of their firms' financial information with other firms to provide an appropriate level of information. These findings are consistent with both the substitute effect that comparable financial statements already improve the information environment for investors at a lower cost, and the theory by Verrecchia (1983) that managers do exercise greater discretion in information disclosure when there is a higher cost associated with disclosing additional information. When comparable financial information increases publicly available information and decreases the amount of private information that managers possess, information that managers

managers tend to play a passive role by answering and responding to questions from analysts (Bushee et al., 2018). In the presentation part, managers actively use discretion and exercise judgment to determine the contents with management own interpretation and supplement qualitative information.

possess is more likely to be superior, private, and crucial to their business, leading to higher disclosing costs.

Next, to strengthen our inference, we explore cross-sectional variations in the association between comparability and the information components in conference calls. Specifically, we examine whether managerial incentives facilitate the association. We use firms reporting a loss or conducting earnings management to measure managerial incentives. Li (2008) argues that managers in loss firms have higher incentives to mask poor performance. Earnings management studies (e.g., Lo et al., 2017; Niessner, 2015) suggest that managers manipulate disclosure to cover misreporting. Managers of such firms are reluctant to disclose additional qualitative information about their business and operation because they have higher disclosure costs and the comparable financial information with other firms will escalate this concern. Hence, we find the association is more pronounced when firms report a loss or conduct earnings management. Next, we examine whether the managerial ability strengthens the association. According to the management obfuscation hypothesis managers have incentives to conceal their firm's true financial performance to defer unfavorable capital market reaction (Bushee et al., 2018). Therefore, we predict that firms with more able managers are more capable of adjusting disclosure information during conference calls in according with comparable financial information. Consistent with our prediction, the results show that firms issuing comparable financial information are more likely to provide fewer information clues through conference calls when they are with more able management. Overall, these cross-sectional analyses support the argument that managers consider the degree of comparability of financial statements when they disclose information cues during conference calls strategically to covey information based on their incentives.

In additional analyses, we find managers of firms with high financial statement comparability utilize fewer forwarding-looking and uncertain sentences during the conference calls. Forward-looking and uncertain sentences are used as alternative proxies for information components in conference calls. Thus, these results provide further support to our argument that comparable financial information disincentivizes managers from using conference calls to disclose incremental information clues voluntarily. We also find that a higher degree of comparability lowers managerial linguistic complexity by lowering the information component, but not the obfuscation component, using the managers' response portion of Q&A sessions during conference calls.

Finally, we conduct several robustness tests. We use different matching techniques such as propensity score matching (PSM), coarsened exact matching (CEM), and entropy balancing. We also include additional control variables to address the concerns about omitted correlated variables and the alternative explanations. We use firm fixed effects to control for unobservable firm heterogeneity, a change analysis to mitigate the concern of reverse causality, and the alternative measure of comparability. Our main findings remain robust after conducting these tests.

This study makes several contributions. First, our findings build on the financial statement comparability literature examining the effect of comparability on voluntary disclosures (Gong et al., 2013). To our best knowledge, our study is the first one that examines the effect of financial information comparability on managers' linguistic complexity in conference calls which conveys qualitative verbal information and reflects managers' intentional disclosure choices. Our results showing that managers consider the degree of financial information comparability when disclosing information in conference calls advance our understanding of financial statement comparability and management disclosure incentives.

Second, this study adds to literature regarding the interplay between mandatory financial reporting and voluntary disclosure. Little is known about how managers adjust the information content of voluntary disclosures along with mandatory financial reports. It remains an empirical question on whether firms with transparent information environments present high-quality information through both mandatory disclosure and voluntary disclosure channels. Beyer et al. (2010) call for more research on the relation between mandatory disclosure and voluntary disclosure. We show that managers trade off the two disclosure channels to strategically manage the information environment. Our findings suggest the substitution relation between mandatory disclosure and voluntary disclosure.

Third, this study enriches managerial linguistic complexity literature by examining the effect of accounting comparability on managerial linguistic clues during conference calls. Prior managerial linguistic complexity literature has studied managerial incentives in conference calls (Bushee et al., 2018; Li, 2008). We contribute to this line of research by pointing out another factor (i.e., financial information comparability) that affects managerial linguistic decisions during conference calls.

The remainder of this paper is organized as follows. Section 2 reviews the related literature and develops the hypothesis. Section 3 describes the research design. Section 4 discusses the sample selection process and descriptive statistics. Section 5 presents the empirical results, and Section 6 shows additional analyses. Section 7 discusses the robustness checks, and Section 8 concludes.

2. Literature Review and Hypothesis Development

2.1. Financial statement comparability and voluntary disclosure

The FASB (2010) and IASB (2010) define comparability as the qualitative characteristic of financial information that enables users to identify similarities and differences across different firms. Comparable financial information lowers users' information acquisition and processing costs by increasing the overall quality of information available to users about the firm and enhancing the usefulness of financial information (De Franco et al., 2011).

A large number of prior studies focus on benefits of financial statement comparability for financial information users including investors, analysts, debtholders, and other market participations. For example, Imhof et al. (2017) find that greater comparability lowers cost of equity capital. De Franco et al. (2011) show that firms with high comparability of financial information have greater analyst coverage, more accurate analyst forecasts, and less dispersion among analysts. Kim et al. (2013) document that greater comparability reduces information uncertainty and asymmetry in the debt market by providing evidence of lower frequency split ratings from credit rating agencies. Chen et al. (2018) document that comparable financial information fosters better M&A decisions and leads to more efficient capital allocation.

While the large body of literature documents the benefits of comparability on corporate outsiders' ability to process information, a few studies examine how comparable financial information affects management decisions on voluntary disclosure. As part of management disclosure strategies, managers often utilize different disclosure channels to provide an appropriate level of information. Financial statement comparability as a mandatory reporting channel improves the information environment because greater comparability enables information users to understand and evaluate a firm's financial information compared to its peers. Therefore, when managers attempt to fill the gap created by non-comparable financial statements, they will use more voluntary disclosure channels, including non-GAAP earnings, MD&A, and earnings

forecasts. Gong et al. (2013) support this argument by showing that the frequency of earnings forecasts increases when companies' financial statement comparability with other firms is lower.

However, because these voluntary disclosure channels are paper-based, rigid, and unresponsive, managers may have to verbally explain information contents that are missing from both non-comparable financial statements and written voluntary disclosure channels during conference calls. Conference calls convey unique and qualitative information different from other voluntary disclosure channels because they offer soft information including the linguistic features of management (i.e., the tone, vocal cues, and linguistic complexity (Brochet et al., 2018)). Bushee et al. (2018) also argue that the managerial linguistic complexity during conference calls is more likely to reflect an intentional disclosure choice by managers. Price et al. (2012) also support that the linguistic tone of conference calls has incremental informativeness to capital market participants.

2.2. Conference calls

Earnings conference calls provide additional information and financial/nonfinancial benefits to capital market participants and resolve the information asymmetry problem between managers and outside participants (Firk et al., 2020; Brochet et al., 2012; Hollander et al., 2010). Prior studies suggest that information released in conference calls increases firms' visibility, explains firms' performance (Bushee et al., 2003; Tasker, 1998), increases analysts' performance (Bassemir et al., 2013; Bowen et al., 2002; Lansford et al., 2009; Mayew et al., 2013), and even lowers the cost of capital when firms use the balanced scorecard design in the conference calls (Firk et al., 2020).

Conference calls consist of two sections: a management presentation (MD) section and a question and answer (Q&A) section with the market participants (Firk et al., 2020). During the

presentation section, corporate top executives often provide supplementary disclosures to the call participants (National Investor Relations Institute 2014a, b), such as interpretation of reported financial performance and forward-looking earnings guidance (Bischof et al., 2013; Lansford et al., 2009). Managers use the MD section of the calls to further disclose information they want to share with invited participants (Hollander et al., 2010, p.537), which reflects an intentional disclosure choice by managers (Bushee et al., 2018). The Q&A session is a unique voluntary disclosure setting which is characterized by a spontaneous nature (a real-time, two-way communication between managers and analysts) of questions and answers (Henry et al., 2020; Lee, 2016; Matsumoto et al., 2011; Mayew & Venkatachalam, 2012). During the Q&A section, market participants such as sell-side analysts can ask unscripted questions (Hollander et al., 2010; Brochet et al., 2018). This extemporaneity creates opportunities for market participants to request managers to release more information (Lee, 2016).

Additionally, conference calls not only are informative and useful to various market participants via hard information, but the calls may also offer soft information which can contain information cues, such as the linguistic features of management (i.e., the tone, vocal cues, and linguistic complexity), order of speakers, the time usage of presenters, and the attitudes of other participants (Brochet et al., 2018). Brochet et al. (2012) indicate that the linguistic complexity in the conference calls potentially limits call participants' ability to understand and interpret the reported financials. They also show that the linguistic complexity lowers trading volume and price movement following the calls which leads to negative market reactions.

Bushee et al. (2018) further decompose linguistic complexity into two latent components—obfuscation and information—and estimate the indications of them within the context of conference calls. The "information" component represents the complex or technical language that

is necessary to describe firms' business or operating strategy while the "obfuscation" component represents the language choice made by managers to intentionally obfuscate or reduce the informativeness of the disclosure (Bloomfield, 2008; Bushee et al., 2018; Li, 2008). Bushee et al. (2018) also find that the information (obfuscation) component is negatively (positively) related to information asymmetry. Bushee and Huang (2021) further investigate whether market participants, such as analysts and investors, effectively incorporate the informational cues from managerial linguistic complexity into their decision-making on earnings forecasts and stock trading during conference calls. Interestingly, they find that while both analysts and investors seem to correctly identify and process the negative signal of the "obfuscation" component of linguistic complexity, only analysts successfully recognize and interpret the positive signal of the "information" component of being more informative.

While the unique features of conference calls are conducive to managers utilizing them to verbally explain contents that are absent in both non-comparable financial statements and written voluntary disclosure channels, no previous study has investigated the effect of financial statement comparability on conference calls.

2.3. Financial statement comparability and managerial linguistic complexity during conference calls

We first examine the association between financial statement comparability and managerial linguistic complexity during conference calls. Managers strategically use different disclosure channels to provide the appropriate level of information to the corporate information environment. That is, the level of comparability presented through mandatory reporting will lead managers to responsively utilize conference calls to disclose or withhold incremental qualitative information because managers disclose information voluntarily when the benefits of voluntary disclosure outweigh the costs (Beyer et al., 2010).

As suggested by prior comparability literature, financial statement comparability improves the information environment, which enables information users to understand and evaluate a firm's financial information compared to its peers (De Franco et al., 2011; Sohn, 2016; Young & Zeng, 2015). Shen, Xie, and Xie (2022) further argue that comparable financial statements allow investors to trade based on information from comparable financial reporting without further acquiring additional information. That is, comparable financial statements reduce potential benefits of managers disclosing additional information because comparability alleviates information asymmetry between outside investors and managers by allowing outsiders to obtain and process a firm's financial information compared to its peers.

Meanwhile, the costs of voluntary disclosure will increase as financial statement comparability increases. Verrechia (1983) theorizes the costs associated with disclosing information regarding a manager's discretion. The cost of preparing and disseminating information, more broadly proprietary in nature, and therefore potentially damaging, is an important reason that managers do exercise discretion in the disclosure of information. Gong et al. (2013) suggest that information that managers possess is generally superior private information regarding their firms' operation and business strategies. Prior comparability research has shown that greater comparability increases the information available to labor unions, competitors, and regulators which strengthens monitoring from these stakeholders (Ahn et al., 2020; Chen et al., 2018; De Franco et al., 2011; Fang et al., 2016; Sohn, 2016; Young & Zeng, 2015). That is, as comparable financial information increases the information available to stakeholders and strengthens monitoring from these stakeholders, incremental qualitative information that managers possess is more likely superior, private, and crucial to their business, leading to higher disclosing costs. Therefore, managers will withhold incremental qualitative information during conference calls.

The improved information environment and greater attention from market participants may lead managers to withhold incremental qualitative information during conference calls. We thus expect that managers in firms with high financial statement comparability are more likely to withhold information during conference calls. We therefore state our alternative hypothesis as follows:

> **Hypothesis:** Financial statement comparability is negatively associated with managerial linguistic complexity during the conference calls.

Our expectation, however, is not without tension. Given that both comparability and conference calls might be reflected by the information environment of a firm, the firm will report highly comparable financial statements and managers will disclose more information components in conference calls Additionally, the relation between comparability and conference calls might not exist because other paper-based voluntary disclosure channels including non-GAAP earnings, MD&A, and earnings forecasts are already playing the role of providing incremental information for firms with non-comparable financial statements. For example, Gong et al. (2013) find that firms with non-comparable financial statements issue more frequent earnings forecasts. Therefore, it is unclear how management utilize conference calls to convey information concurrently with comparable financial information.

3. Research design

3.1. Main variables

3.1.1. Financial statement comparability

De Franco et al. (2011) develop financial statement comparability measures by defining the accounting system as a function that maps economic events to financial statements. If two firms

have similar mappings between economic events and their financial statements, then their accounting systems are viewed as comparable. We use stock returns to proxy for a firm's economic event and earnings to proxy for its reflection on the financial statement:

$$\mathrm{E}(Earnings)_{it} = \alpha + \beta_1 Return_{it} \quad (1)$$

where *Earnings* is the quarterly net income before extraordinary items scaled by the market value of equity at the end of the previous quarter. *Return* is the raw stock return during quarter t. Financial statement comparability between two firms (i.e., firm *i* and firm *j*) is estimated as the negative value of the average absolute difference between the two firms' predicted earnings using each firm's mapping functions for the past 16 quarters as follows:

$$Comparability = -\frac{1}{16} \times \sum_{t=0}^{-15} |E(Earnings)_{iit} - E(Earnings)_{jit}| \quad (2)$$

Higher *Comparability* indicates higher financial reporting comparability between two firms. Our main measure of financial statement comparability is defined as the median value of *Comparability* with all peer firms in the same industry (based on two-digit SIC code).

3.1.2. Managerial linguistic features

First, we use the Gunning (1952) Fog index to estimate linguistic complexity. This index involves two factors—the number of words and the percent of complex words.[2] A higher value of the Fog index indicates more complex text. This index refers to the hypothetical years of education needed to fully understand the text. Using this Fog index, we measure managerial linguistic complexity (i.e., *FogPres*) for the presentation of conference calls.

Bushee et al. (2018) explore and decompose managerial linguistic complexity into two components—the intrinsic amount of information and intentional obfuscation. Following Bushee et al.

[2] *Fog*= 0.4 × (average number of words per sentence + percent of complex words)

(2018), we then estimate the latent variables of *FogPres*—information and obfuscation. The methodology developed by Bushee et al. (2018) assumes that managers have incentives to obscure information while analysts do not have such incentives since they aim to uncover relevant and essential information on the calls (Matsumoto et al., 2011; Mayew, 2008; Twedt & Rees, 2012). Thus, the linguistic complexity of analysts serves as a complexity benchmark when there is no obfuscation force involved. Based on Bushee et al. (2018), the fitted value of model (3) is the estimated information component of managers during presentations on conference calls (*InfoPres*) and the residual is the estimated obfuscation component of managers during presentations on conference calls (*ObfuPres*). Bushee et al. (2018) indicate that these two components affect information asymmetry in different directions. Stated differently, the latent information element is negatively related to information asymmetry whereas the latent obfuscation element is positively related to information asymmetry.

$$FogPres_{it} = \beta_0 + \beta_1 FogAnalyst_{it\text{-}1} + Controls + \varepsilon_{it} \quad (3),$$

where *FogPres* refers to managers' linguistic complexity during the presentation session on conference calls. The fitted values are used as the estimated values of the latent information components (i.e., *InfoPres*) of managers during presentations, and the residual values are the estimated values of the latent obfuscation components (i.e., *ObfuPres*) of managers during presentations.[3]

3.2. Empirical model

To examine the association between financial statement comparability and managerial linguistic features, we estimate the following model (4).

$$\begin{aligned} LinguisticFeatures_{it} = {} & \beta_0 + \beta_1 Comparability_{it} + \beta_2 Analyst_{it} + \beta_3 Leverage_{it} + \beta_4 Size_{it} \\ & + \beta_5 BM_{it} + \beta_6 ROA_{it} + \beta_7 SpecItem_{it} + \beta_8 GeoSeg_{it} + \beta_9 BusSeg_{it} \\ & + \beta_{10} Capex_{it} + \beta_{11} HHI_{it} + \varepsilon_{it} \end{aligned} \quad (4),$$

[3] Following Bushee et al. (2018), control variables include firm size, book-to-market ratio, leverage, stock returns, capital intensity, research and development, acquisitions, capital expenditure, debt and equity issuance, cash flow volatility, goodwill impairments, and restructuring charge.

where *LinguisticFeatures* represents either the managerial linguistic complexity measure (*FogPres*) or the latent components (information (*InfoPres*) or obfuscation (*ObfuPres*)). *Comparability* is the main proxy for financial statement comparability. We also control for factors that are generally related to information environment: firm size (*Size*), which is related to disclosure practices (e.g., Lang & Lundholm, 1996); book-to-market ratio (*BM*), which captures firms' growth potential (e.g., Bushee et al., 2003); leverage (*Leverage*), which controls for managerial incentives when firms have high levels of debt and agency costs (Frankel et al., 1999); and analyst following (*Analysts*). Further, following the prior literature, we additionally control variables which are commonly used to capture firms' disclosure complexity: return on assets ratio (*ROA*), special items (*SpecItem*), number of geographic segments (*GeoSeg*), number of business segments (*BusSeg*), capital expenditure (*Capex*), and competition (*HHI*) (Li, 2008; Skinner, 2021). Lastly, industry fixed effects and year fixed effects are also included to control for variations in linguistic features across industry and over year, respectively. We cluster the standard errors at firm-level to control for potential serial-dependence among the repeated firm observations in the sample.

4. Sample and descriptive statistics

The linguistic data is constructed using conference call transcripts retrieved from Thomson Reuters StreetEvents.[4] We use Compustat, Center for Research in Security Prices (CRSP), and I/B/E/S databases to construct our main variables such as financial statement comparability and other firm characteristics. The financial industry (SIC between 6000 and 6999) is excluded from our sample. We start with 30,905 firm-year conference call linguistic measures over the period of

[4] We gratefully acknowledge the conference call database from Bushee et al. (2018).

2002 to 2017, following prior literature (e.g., Bushee et al., 2018).[5] Matching with Compustat and CRSP reduces our sample to 18,537 firm-years. After the merger with I/B/E/S, our final sample size is further reduced to 15,113 firm-years with 3,219 unique firms.[6] All continuous variables are winsorized at their 1 and 99 percent levels to reduce the effects of outliers on our results.

Table 1 presents the descriptive statistics for the variables in our main model (Model 4). The mean (median) of *Comparability* is -5.19 (-4.23). The mean (median) of *FogPres* is 15.42 (15.44), indicating that the hypothetical years of education necessary to fully understand the managers' presentation on conference calls is 15 years (i.e., college education). The sample firms are relatively large (size = 7.13) and, on average, followed by nine analysts. Overall, the variables are consistent with those in previous studies (e.g., Bushee et al., 2018; De Franco et al., 2011). Table 2 reports the correlation matrices for the main variables. The negative and significant correlations between the managerial linguistic measures (i.e., *FogPres*, *InfoPres*, and *ObfuPres*) and financial statement comparability (*Comparability*) provide preliminary support for our hypothesis.

[Insert Table 1 and 2 here]

5. Empirical results

5.1. Main results

Table 3 presents the effect of financial statement comparability on managers' linguistic features during conference calls. It is consistent with our hypothesis that financial statement comparability is negatively associated with managerial linguistic complexity during the

[5] We begin the sample in 2002 because it is the first year that conference call transcripts became available in StreetEvents. To match the firm-year financial statement comparability measure, we use only the conference call linguistic data in the 4th quarter where managers will talk more about the information in 10-K filings.
[6] The sample size for *InfoPres* and *ObfuPres* is smaller because of the missing observations when generating the predicated value and residuals in model (3).

conference call. The coefficient of *Comparability* in Column (1) with *FogPres* is negative and statistically significant (-0.032, p-value <0.01). This result suggests that managers use less complex language during conference calls when their firms' financial information exhibits greater comparability with industry peer firms. This negative association may be driven by firms with a high (low) information environment which have high (low) comparable financial statements and lower (higher) managerial linguistic complexity in conference calls. The coefficients of *SIZE*, *ROA*, and *Capex* are negative and significant (p <0.01), suggesting that firms that are large and profitable and/or more invested in capital assets use less complex language during conference calls.

To further understand the results, in Columns (2) and (3) of Table 3, we present the results from decomposing managers' linguistic complexity (*FogPres*) into information (*InfoPres*) and obfuscation components (*ObfuPres*), following Bushee et al. (2018). While the coefficient presented in Column (2) for *InfoPres* is negative and statistically significant (-0.028, p-value <0.01), the coefficient presented in Column (3) for *ObfuPres* is not statistically significant. These results suggest that when financial statements exhibit greater comparability, the managerial linguistic complexity of conference calls contains fewer information components, but no different obfuscation components. This result clarifies our interpretation of the negative association between financial statement comparability and linguistic complexity during conference calls by suggesting that such negative relation is not from greater comparability lowering managerial obfuscation but rather is from greater comparability disincentivizing managers to disclose information clues during conference calls. Taken together, the results presented in Table 3 collectively suggest that managers strategically adjust the information contents of voluntary disclosure during conference calls considering how their firms' financial information is comparable with industry peer firms to provide an appropriate level of information.

[Insert Table 3 here]

5.2. Cross-sectional tests results

We conduct the cross-sectional tests to support our main inference that management's strategic disclosure behavior in conference calls is manifested under strong management disclosure incentives and management ability. First, we examine strong management disclosure incentives from firms reporting a loss. Li (2008) argue that managers of loss firms have incentives to cover poor performance. We expect that managers from firms with bad performance are more likely to hide information through providing less informative content during conference calls when financial information comparability is higher. We define *LOSS* as an indicator variable that equals one if a firm reports a loss, zero otherwise. Column (1) of Table 4 shows that the coefficient of the interaction term *Comparability*LOSS* is negative and statistically significant (-0.014, p-value <0.01), suggesting that managers reporting a loss tend to disclose fewer informative clues during the conference calls when the level of financial information comparability is high, which is consistent with our expectation. Next, we examine whether managers conducting earnings management tend to provide fewer information clues during conference calls when financial information is comparable. Prior earnings management studies (e.g., Lo et al., 2017; Niessner, 2015) provide some evidence that managers manipulate disclosure to mask misreporting. We use discretionary accruals following the modified-Jones model (Dechow, Sloan, and Sweeney, 1995) to measure earnings management (*EM*). Column (2) of Table 4 tabulates that the coefficient of the interaction term *Comparability*EM* is negative and statistically significant (-0.042, p-value <0.01), suggesting that managers reporting high discretionary accruals decrease information contents during the conference calls when the level of financial statement comparability is high. These

results collectively suggest that managers of firms reporting a loss or conducting earnings management are reluctant to disclose additional qualitative information about their business and operation because they have higher disclosure costs and the comparable financial information with other firms will escalate this concern. Lastly, we examine the role of managerial ability in the association between financial information comparability and managerial linguistic information contents during conference calls. Prior studies (e.g., Demerjian et al., 2012; Andreou et al., 2017; Bertrand & Schoar, 2003) suggest that more able mangers are more capable of effectively selecting and executing profitable projects. In a firm's information environment, managerial ability also plays an important role because more able managers better understand a firm's information environment and the disclosure demand from investors. Demerjian et al. (2013) suggest that managers have a considerable influence on firms' financial reporting and disclosure choices with evidence that more able managers are associated with fewer subsequent restatements. We predict that managers with higher ability are more likely to adjust the information contents of conference calls in accordance with the financial information comparability because more able managers better understand a firm's information environment and the disclosure demand from investors. Following Demerjian, Lev, and McVay (2012), we use *MA* to measure managerial ability. The result shows that the coefficient of the interaction term *Comparability*MA is* negative and statistically significant (-0.033, p-value <0.01), suggesting that more able managers tend to provide fewer linguistic information clues during conference calls when the level of financial statement comparability is high. Our cross-sectional tests support our inference that managerial strategic disclosure behavior during conference calls is demonstrated under strong management disclosure incentives and management ability.

[Insert Table 4 here]

6. Additional tests

6.1. Additional linguistic features of managers during presentation sessions

To further understand the effect of financial information comparability on managerial linguistic information clues during presentation sessions of conference calls, we regress the number of forward-looking words (*ForwardPres*) and uncertain words (*UncertainPres*) on financial statement comparability (*Comparability*), respectively. As managers tend to use forward-looking and uncertain language to convey information about future prospects for companies (Matsumoto et al., 2011), we expect that managers will provide fewer forward-looking and uncertain words during conference calls if comparable financial information disincentivizes them from providing additional information clues during those calls. Column (1) of Table 5 presents that the coefficient of *Comparability* is negative and statistically significant (-0.001, p-value <0.05), suggesting that managers deliver less forward-looking information during the conference calls when their prepared financial information is highly comparable. Similarly, Column (2) of Table 5 also reports that the coefficient of *Comparability* is negative and statistically significant (-0.157, p-value <0.05). This result suggests that managers deliver fewer uncertain words during the conference calls when the comparability of financial information is higher. Overall, these results corroborate the main results and suggest that preparing comparable financial information reduces managerial incentives for providing informational clues through managerial linguistic complexity during the call.

[Insert Table 5 here]

6.2. Linguistic features during Q&A sessions

In order to address the limitation that the presentation part of conference calls can be scripted, we examine managers' reactions during Q&A sessions that is not scripted when a company's prepared financial information exhibits high comparability. The main difference

between the management presentation session and managers' reactions during Q&A sessions is that during the management presentation session the managers are driving the agenda because they prepared the presentation in advance, whereas during the Q&A sessions the analysts drive the agenda through their line of questioning. We regress managers' linguistic complexity during Q&A sessions (*FogQA*), managers' information contents during Q&A sessions (*InfoQA*), and managers' obfuscation components during Q&A sessions (*ObfuQA*) on financial statement comparability (*Comparability*), respectively.

Table 6 exhibits that the coefficient of *Comparability* in Column (1). *FogQA* is negative and statistically significant (-0.019, p-value <0.05). This result suggests that managers use less complex language during the Q&A part when their firms' financial information exhibits greater comparability with industry peer firms. While the coefficient presented in Column (2) for *InfoQA* is negative and statistically significant (-0.023, p-value <0.01), the coefficient presented in Column (3) for *ObfuQA* is not statistically significant. These results suggest that when financial statements exhibit greater comparability, the managerial linguistic complexity during Q&A sessions contains fewer information components, but no different obfuscation components. The results using managers' reactions during Q&A sessions are consistent with our main tests using management presentation sessions.

[Insert Table 6 here]

7. Robustness checks

7.1. Matching

To address functional form misspecification discussed in Shipman et al. (2017), we use the propensity score matching (PSM) method to mitigate the potential bias from misspecification of

the functional form in observable control variables included in our regression model following Zhang (2018). Particularly, we conduct one-to-one matching (without replacement) and use a caliper of 0.01. As a matching parameter, we use all covariates of our baseline model and require the same year and industry for matched controls to ensure high-quality matches. Untabulated results show that matching procedures substantially improve the covariate balance in the matched sample. Table 7, Panel A reports similar results to our main tests, suggesting that our findings are not likely driven by the potential bias from misspecification of the functional form of our sample. Additionally, we complement our current PSM approach with two other matching techniques, coarsened exact matching (CEM) and entropy balancing. CEM improves the estimation of causal effects by reducing imbalance in covariates between the control group (high comparability group) and the treatment group (low comparability group) (Blackwell, Iacus, King, and Porro, 2020). Entropy balancing is a multivariate reweighting method that allows to reweight a dataset to create balanced samples where the control group data can be reweighted to match the covariate data in the treatment group (Hainmueller & Xu, 2013). Panel B and Panel C of Table 7 present the results using CEM and entropy balancing, respectively. Overall, results using all three matching techniques are consistent with results from our main multivariate analysis.

[Insert Table 7 here]

7.2. Other robustness tests

To further alleviate the concerns regarding omitted correlated variables and reverse causality, we conduct additional robustness tests. Our results can be disputed by an alternative explanation that firms with comparable financial statements tend to have fewer complex businesses and provide less information during conference calls. Therefore, we include variables

to measure the complexity of a company's business. Following Li (2008), You and Zhang (2009), and Miller (2010), we use the number of words in 10-K filings as a proxy for the complexity level of 10-K information. We define *Words* as the logarithm of the number of words in the entire 10-K document. We also use a variable, *MNC*, to indicate whether a company is a multinational company because multinational companies often have complex business with many more foreign operations and products than domestic firms (Milliman, Glinow, and Nathan, 1991). We define *MNC* as an indicator variable that equals one if a firm has a foreign income in the year and zero otherwise. Our final variable for business complexity is *Subsidiary*, an indicator variable that equals one if a firm has a subsidiary in the year and zero otherwise. Queen and Fasipe (2015) argue that companies with more subsidiaries are in complex business environments.[7]

Additionally, we add a control variable for institutional ownership to measure information asymmetries because information asymmetries can be an omitted correlated variable that affects both comparable financial statements and the managerial linguistic complexity of conference calls. Boone and While (2015) suggest that firms with higher institutional ownership experience lower information asymmetries because they tend to have greater analyst following and lower analyst disagreement. We define *Institute* as the percentage of the firm's shares held by institutional investors. Table 8, Panel A reports results using additional control variables including number of words in 10-K filings (*Words*), multinational companies (*MNC*), number of subsidiaries (*Subsidiary*), and institutional ownership (*Institute*). We find consistent results with our main tests that financial statement comparability is negatively associated with managerial linguistic

[7] Our main regression models also include the number of geographic segment (*GeoSeg*) and the number of business segment (*BusSeg*), following prior studies measuring the complexity of business with the number of geographic and the number of business segments.

complexity during the conference calls and that the coefficient presented for *InfoPres* is negative and statistically significant while the coefficient presented for *ObfuPres* is not statistically significant. These results suggest that when financial statements exhibit greater comparability, the managerial linguistic complexity of conference calls contains fewer information components, but no different obfuscation components when we control for business complexity and information asymmetries.

Next, we use firm fixed effects. Himmelberg, Hubbard, and Palia (1999) and Chi (2005) suggest that firm fixed effects control for unobservable firm heterogeneity. Antonakis, Bastardoz, and Rönkkö (2019) and Hill et al. (2021) also suggest that firm fixed effects can alleviate the concern about omitted correlated variables in situations where the omitted variable is constant for all observations with the same fixed effect. Table 8, Panel B shows our main test results with firm fixed effects. The results are consistent with our main analysis.

Lastly, in order to mitigate the concern of reverse causality (comparability may be the outcome of information components in conference calls), we conduct a change analysis using the change of financial statement comparability and the change of information components in conference calls. Untabulated results demonstrate that the coefficient of the change of *Comparability* for the change of *InfoPres* is negative and statistically significant (-0.01, p-value <0.05), indicating that a client firm's increase in accounting comparability leads to a reduction in information components in conference calls.

Collectively, the results provide additional evidence on the effect of financial statement comparability on managers' linguistic features during conference calls, which support our hypothesis.

[Insert Table 8 here]

7.3. Alternative measures of comparability

We examine an alternative measure for comparability (*Comparability2*) to further check the robustness of our results. Table 9 tabulates the results using the mean pairwise comparability for all peer firms in the same two-digit SIC industry as firm *i* during year *t* based on De Franco et al. (2011). Consistent with our main results, Table 9 tabulates that the coefficient of *Comparability2* in Column (1) with *FogPres* is negative and statistically significant (-0.030, p-value <0.01), the coefficient of *InfoPres* presented in Column (2) is negative and statistically significant (-0.028, p-value <0.01), and the coefficient of *ObfuPres* presented in Column (3) is not statistically significant. Overall, these results support our main findings that when financial information exhibits greater comparability, the managerial linguistic complexity of conference calls contains fewer information components, but no different obfuscation components.

[Insert Table 9 here]

8. Conclusion

In this study, we investigate whether financial statement comparability affects managers' decisions of linguistic complexity in conference calls. We examine and find that financial statement comparability is negatively associated with managerial linguistic complexity during conference calls. More importantly, we provide evidence that firms providing comparable financial information tend to contain fewer information clues through managerial linguistic complexity during the conference calls, suggesting that managers strategically adjust the information content of disclosure during conference calls depending on financial information comparability. Moreover, we find that the negative association is more pronounced

with firms reporting a loss, conducting earnings management, and having more able mangers. This result strengthens our inference about the role of managerial incentives on strategic disclosure behavior during conference calls. Additional analyses show that issuing comparable financial information reduces management's forward-looking and uncertain sentences as alternative proxies for information components in the conference calls, and managerial linguistic complexity and the information contents of managers' responses to analyst questions. Collectively, these results support our main argument that financial statement comparability disincentivizes managers providing linguistic information clues during conference calls. Our main results are strengthened by conducting several robustness tests.

This study has several contributions to accounting literature. First, it adds to the studies on various outcomes of financial statement comparability by showing that management voluntary disclosure behavior during conference calls changes according to the degree of financial information comparability. Second, this study extends the literature on determinants of managerial linguistic complexity by exploring important and unexamined management incentives to provide incremental information clues through linguistic complexity during conference calls. Third, this study contributes to disclosure literature by investigating the interplay between mandatory reporting and voluntary disclosure. Finally, studying financial statement comparability and its impacts on voluntary disclosure will be of great interest for market participants and standard setters.

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Appendix I. Variable definitions

Variables	Description
Comparability	Median pairwise comparability for all peer firms in the same SIC2 industry as firm i during year t based on De Franco et al. (2011).
Comparability2	Mean pairwise comparability for all peer firms in the same SIC2 industry as firm i during year t based on De Franco et al. (2011).
FogPres	The Fog index of managers during the presentation session of the call.
InfoPres	The information level of managers during the presentation session of the call.
ObfuPres	The obfuscation level of managers during the presentation session of the call.
ForwardPres	The number of forward-looking words spoken by managers during the presentation session of the call.
UncertainPres	The number of uncertain words spoken by managers during the presentation session of the call.
FogQA	The Fog index of managers during the Q&A session of the call.
InfoQA	The information level of managers during the Q&A session of the call.
ObfuQA	The obfuscation level of managers during the Q&A session of the call.
Size	Log of market value of equity.
SpecItem	Special items scaled by market value of equity of the prior year.
BM	Book value of equity scaled by market value of equity of the prior year.
Leverage	Sum of long-term and short-term debts divided by total assets of the prior year.
Analysts	Number of analysts following the firm.
GeoSeg	The logarithm of the number of geographic segments.
BusSeg	The logarithm of the number of business segments.
EM	Discretionary accruals, following the modified-Jones model.
LOSS	Indicator variable that takes the value of one if the firm reports a loss, zero otherwise.
MA	The measure of managerial ability developed in Demerjian, Lev, and McVay (2012). https://peterdemerjian.weebly.com/managerialability.html
HHI	The inverse of the Herfindahl-Hirschman Index measured at the 3-digit SIC level.
Capex	Capital expenditures scaled by total assets of the prior year.

ROA	Return on assets.
Words	The logarithm of the number of words in the 10-K document.
MNC	An indicator variable that equals one if a firm is a multinational company and zero otherwise.
Subsidiary	An indicator variable that equals one if a firm has a subsidiary in the year and zero otherwise.
Institute	The percentage of the firm's shares held by institutional investors.

Table 1. Summary statistics

Variable	N	Mean	STD	P25	P50	P75
FogPres	15113	15.421	1.553	14.417	15.443	16.446
InfoPres	10857	15.499	0.435	15.208	15.444	15.713
ObfuPres	10857	-0.037	1.447	-0.967	-0.010	0.921
Comparability	15113	-5.191	3.289	-6.074	-4.233	-3.121
Analyst	15113	9.114	7.078	3.667	7.000	13.000
Leverage	15113	0.248	0.240	0.033	0.213	0.368
Size	15113	7.128	1.802	5.888	7.045	8.300
BM	15113	0.538	0.441	0.277	0.468	0.708
ROA	15113	0.011	0.157	-0.013	0.041	0.085
SpecItem	15113	-0.023	0.074	-0.016	-0.002	0.000
GeoSeg	15113	0.951	0.241	1.000	1.000	1.099
BusSeg	15113	1.599	0.845	1.000	1.000	2.303
Capex	15113	0.057	0.070	0.018	0.034	0.067
HHI	15113	0.069	0.066	0.030	0.048	0.077

This table presents descriptive statistics of the variables in the final sample of our main test. See Appendix I for variable definitions.

Table 2. Correlations

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
(1) FogPres														
(2) InfoPres	0.280*													
(3) ObfuPres	0.957*	-0.008												
(4) Comparability	-0.176*	-0.480*	-0.032*											
(5) Analyst	-0.109*	-0.307*	-0.013	0.121*										
(6) Leverage	0.006	0.008	0.006	0.121*	0.086*									
(7) Size	-0.152*	-0.444*	-0.013	0.282*	0.744*	0.165*								
(8) BM	-0.032*	-0.116*	-0.002	0.244*	-0.143*	-0.089*	-0.164*							
(9) ROA	-0.202*	-0.463*	-0.057*	0.454*	0.188*	-0.042*	0.374*	0.055*						
(10) SpecItem	-0.059*	-0.091*	-0.031*	-0.007	0.067*	-0.067*	0.145*	-0.041*	0.317*					
(11) GeoSeg	-0.084*	-0.017	-0.079*	0.093*	0.025*	-0.098*	0.073*	-0.029*	0.107*	-0.023*				
(12) BusSeg	0.059*	-0.112*	0.072*	0.143*	0.138*	0.063*	0.184*	-0.023*	0.059*	0.013	0.083*			
(13) Capex	-0.097*	-0.322*	0.005	0.046*	0.152*	0.215*	0.096*	0.017*	0.097*	0.089*	-0.117*	-0.030*		
(14) HHI	-0.064*	-0.079*	-0.036*	0.084*	-0.045*	0.009	-0.056*	0.035*	0.071*	-0.045*	-0.014	0.008	-0.032*	

This table presents the correlation matrix for the variables in the final sample of our main test. * $p<0.05$

Table 3. The effect of financial statement comparability on managerial linguistic features during conference calls

	(1)	(2)	(3)
	FogPres	***InfoPres***	***ObfuPres***
Comparability	**-0.032*** **	**-0.028*** **	**-0.003**
	(-3.512)	**(-13.897)**	**(-0.326)**
Analyst	0.001	0.003***	-0.001
	(0.074)	(3.882)	(-0.158)
Leverage	0.096	0.341***	-0.254**
	(0.949)	(16.313)	(-2.457)
Size	-0.086***	-0.080***	-0.009
	(-3.859)	(-18.195)	(-0.406)
BM	-0.008	-0.025***	0.030
	(-0.162)	(-2.661)	(0.599)
ROA	-0.879***	-0.562***	-0.225
	(-5.417)	(-13.290)	(-1.366)
SpecItem	-0.213	0.291***	-0.555**
	(-1.025)	(5.780)	(-2.537)
GeoSeg	-0.155	0.008	-0.172
	(-1.429)	(0.404)	(-1.486)
BusSeg	0.040	-0.025**	0.039
	(0.691)	(-2.191)	(0.648)
Capex	-1.333***	-1.228***	0.083
	(-3.184)	(-16.134)	(0.195)
HHI	-1.065*	-0.017	-1.429**
	(-1.780)	(-0.142)	(-2.256)
Intercept	16.082***	15.938***	0.249
	(87.640)	(450.849)	(1.308)
Year and industry fixed effects	Yes	Yes	Yes
Firm clustering	Yes	Yes	Yes
N	15113	10857	10857
Adj. R-sq	0.140	0.534	0.075

This table presents the OLS regression results of estimating the relation between financial statement comparability and managers' linguistic features during conference calls. *Comparability* refers to the median pairwise comparability for all peer firms in the same SIC2 industry as firm i during year t based on De Franco et al. (2011). *FogPres* refers to the Fog index of managers during the presentation session of the call. *InfoPres* (*ObfuPres*) refers to the information (obfuscation) level of managers during the presentation session of the call. See Appendix I for variable definitions. *, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively.

Table 4. Cross-sectional tests

	(1)	(2)	(3)
DV:	***InfoPres***	***InfoPres***	***InfoPres***
Comparability	**-0.020*** **	**-0.025*** **	**-0.024*** **
	(-7.580)	**(-12.005)**	**(-11.677)**
LOSS	**-0.011**		
	(-0.582)		
Comparability*LOSS	**-0.014*** **		
	(-3.813)		
EM		**-0.289*** **	
		(-4.729)	
Comparability*EM		**-0.042*** **	
		(-4.786)	
MA			**0.122** **
			(2.005)
Comparability*MA			**-0.033*** **
			(-3.389)
Controls	Yes	Yes	Yes
Year and industry fixed effects	Yes	Yes	Yes
Firm clustering	Yes	Yes	Yes
N	10857	10805	10058
Adj. R-sq	0.536	0.533	0.503

This table presents the OLS regression results of estimating the effect of managerial incentives on the relation between financial statement comparability and managers' linguistic features during conference calls. *Comparability* refers to the median pairwise comparability for all peer firms in the same SIC2 industry as firm *i* during year *t* based on De Franco et al. (2011). *InfoPres* refers to the information level of managers during the presentation session of the call. See Appendix I for variable definitions. *, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively.

Table 5. The effect of financial statement comparability on additional linguistic features of managers during presentation sessions

	(1)	(2)
	ForwardPres	***UncertainPres***
Comparability	**-0.001****	**-0.157****
	(-2.051)	**(-2.117)**
Analyst	0.001***	0.227***
	(5.357)	(4.591)
Leverage	0.006	3.283***
	(1.283)	(3.566)
Size	-0.003**	0.336
	(-2.267)	(1.632)
BM	0.003	0.213
	(1.424)	(0.493)
ROA	-0.070***	-2.953**
	(-8.545)	(-2.196)
SpecItem	0.013	-4.656**
	(1.297)	(-2.346)
GeoSeg	0.005	1.472
	(0.900)	(1.613)
BusSeg	0.001	-0.874*
	(0.225)	(-1.712)
Capex	0.041*	0.790
	(1.838)	(0.193)
HHI	-0.043	-6.339
	(-1.550)	(-1.302)
Intercept	0.284***	21.585***
	(31.877)	(13.565)
Year and industry fixed effects	Yes	Yes
Firm clustering	Yes	Yes
N	15113	15113
Adj. R-sq	0.142	0.065

This table presents the OLS regression results of estimating the relation between financial statement comparability and additional linguistic features of managers during conference call presentation sessions. *Comparability* refers to the median pairwise comparability for all peer firms in the same SIC2 industry as firm i during year t based on De Franco et al. (2011). *ForwardPres* refers to the number of forward-looking words spoken by managers during the presentation session of the call. *UncertainPres* refers to the number of uncertain words spoken by managers during the presentation session of the call. See Appendix I for variable definitions. *, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively.

Table 6. The effect of financial statement comparability on linguistic features during Q&A sessions

	(1)	(2)	(3)
	FogQA	***InfoQA***	***ObfuQA***
Comparability	**-0.019****	**-0.023*****	**0.001**
	(-2.362)	**(-7.208)**	**(0.030)**
Analyst	0.005	0.004**	0.004
	(1.081)	(2.523)	(0.856)
Leverage	0.023	-0.036	0.046
	(0.272)	(-1.036)	(0.539)
Size	0.075***	0.068***	-0.005
	(3.875)	(8.803)	(-0.252)
BM	-0.092**	-0.088***	0.030
	(-1.998)	(-5.419)	(0.692)
ROA	-0.711***	-0.487***	-0.194
	(-4.804)	(-7.687)	(-1.376)
SpecItem	-0.172	0.089	-0.412*
	(-0.785)	(0.935)	(-1.856)
GeoSeg	0.094	0.035	0.059
	(1.038)	(0.942)	(0.657)
BusSeg	0.004	-0.001	0.008
	(0.073)	(-0.005)	(0.149)
Capex	-1.081***	-1.201***	0.258
	(-2.999)	(-8.726)	(0.695)
HHI	-0.366	-0.030	-0.862
	(-0.611)	(-0.113)	(-1.443)
Intercept	11.243***	11.379***	-0.093
	(70.103)	(178.970)	(-0.602)
Year and industry fixed effects	Yes	Yes	Yes
Firm clustering	Yes	Yes	Yes
N	15113	10857	10857
Adj. R-sq	0.076	0.189	0.028

This table presents the OLS regression results of estimating the relation between financial statement comparability and managerial linguistic features during conference call Q&A sessions. *Comparability* refers to the median pairwise comparability for all peer firms in the same SIC2 industry as firm i during year t based on De Franco et al. (2011). *FogQA* refers to the Fog index of managers during the Q&A session of the call. *InfoQA* (*ObfuQA*) refers to the information (obfuscation) level of managers during the Q&A session of the call. See Appendix I for variable definitions. *, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively.

Table 7. Matching

Panel A: Propensity Score Matching

	(1)	(2)	(3)
	FogPres	***InfoPres***	***ObfuPres***
Comparability	**-0.137*** **	**-0.077*** **	**-0.060**
	(-2.909)	**(-8.805)**	**(-1.251)**
Analyst	-0.002	0.003**	-0.005
	(-0.289)	(2.397)	(-0.733)
Leverage	0.136	0.374***	-0.269**
	(1.064)	(16.335)	(-1.999)
Size	-0.065**	-0.081***	0.023
	(-2.348)	(-15.469)	(0.828)
BM	-0.035	-0.033***	-0.010
	(-0.546)	(-2.720)	(-0.158)
ROA	-1.060***	-0.474***	-0.625***
	(-5.308)	(-9.128)	(-2.955)
SpecItem	-0.236	0.258***	-0.275
	(-0.966)	(4.732)	(-1.077)
GeoSeg	-0.184	0.022	-0.278*
	(-1.326)	(0.918)	(-1.937)
BusSeg	-0.075	-0.027**	-0.042
	(-1.081)	(-2.048)	(-0.580)
Capex	-1.500***	-1.100***	0.018
	(-2.804)	(-12.067)	(0.033)
HHI	-1.400*	-0.099	-1.652**
	(-1.756)	(-0.693)	(-2.148)
Intercept	16.387***	16.105***	0.346
	(76.558)	(416.597)	(1.527)
Year and industry fixed effects	Yes	Yes	Yes
Firm clustering	Yes	Yes	Yes
N	8352	6038	6038
Adj. R-sq	0.101	0.413	0.067

This table presents the OLS regression results of estimating the relation between financial statement comparability and managers' linguistic features using the propensity score matched sample. *Comparability* refers to the median pairwise comparability for all peer firms in the same SIC2 industry as firm i during year t based on De Franco et al. (2011). *FogPres* refers to the Fog index of managers during the presentation session of the call. *InfoPres* (*ObfuPres*) refers to the information (obfuscation) level of managers during the presentation session of the call. See Appendix I for variable definitions. *, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively.

Panel B: Coarsened Exact Matching

	(1)	(2)	(3)
	FogPres	***InfoPres***	***ObfuPres***
Comparability	**-0.058*** **	**-0.026*** **	**-0.020**
	(-2.863)	**(-5.726)**	**(-0.868)**
Analyst	0.019**	0.005**	0.014
	(2.068)	(2.164)	(1.322)
Leverage	0.297	0.348***	-0.024
	(1.058)	(5.423)	(-0.073)
Size	-0.128***	-0.088***	-0.030
	(-3.069)	(-9.072)	(-0.615)
BM	-0.119	-0.128***	-0.083
	(-0.657)	(-3.127)	(-0.394)
ROA	-3.158***	-0.548***	-2.483***
	(-4.084)	(-3.210)	(-2.836)
SpecItem	0.105	0.031	0.238
	(0.065)	(0.089)	(0.134)
GeoSeg	1.006	0.069	1.047
	(1.167)	(0.347)	(1.030)
BusSeg	-0.159	-0.009	-0.131
	(-0.787)	(-0.164)	(-0.468)
Capex	-3.757***	-1.940***	0.220
	(-2.957)	(-6.237)	(0.138)
HHI	-0.961	0.043	-2.028
	(-0.270)	(0.054)	(-0.498)
Intercept	13.242***	15.745***	-1.360
	(9.678)	(76.673)	(-1.292)
Year and industry fixed effects	Yes	Yes	Yes
Firm clustering	Yes	Yes	Yes
N	1800	1268	1268
Adj. R-sq	0.115	0.294	0.085

This table presents the OLS regression results of estimating the relation between financial statement comparability and managers' linguistic features using the coarsened exact matched sample. *Comparability* refers to the median pairwise comparability for all peer firms in the same SIC2 industry as firm i during year t based on De Franco et al. (2011). *FogPres* refers to the Fog index of managers during the presentation session of the call. *InfoPres* (*ObfuPres*) refers to the information (obfuscation) level of managers during the presentation session of the call. See Appendix I for variable definitions. *, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively.

Panel C: Entropy Balancing

	(1)	(2)	(3)
	FogPres	***InfoPres***	***ObfuPres***
Comparability	**-0.041*** **	**-0.027*** **	**-0.010**
	(-6.886)	**(-18.850)**	**(-1.473)**
Analyst	-0.003	0.003***	-0.004
	(-0.959)	(4.409)	(-1.018)
Leverage	0.142*	0.394***	-0.249***
	(1.942)	(20.928)	(-2.927)
Size	-0.068***	-0.079***	0.004
	(-4.535)	(-23.488)	(0.209)
BM	-0.034	-0.031***	0.003
	(-0.830)	(-3.122)	(0.063)
ROA	-0.851***	-0.461***	-0.381***
	(-6.983)	(-12.990)	(-2.704)
SpecItem	-0.176	0.220***	-0.270
	(-0.778)	(4.474)	(-1.054)
GeoSeg	-0.313***	0.002	-0.358***
	(-3.861)	(0.088)	(-3.736)
BusSeg	0.018	-0.031***	0.028
	(0.457)	(-3.217)	(0.592)
Capex	-1.977***	-1.311***	-0.675*
	(-6.702)	(-19.976)	(-1.957)
HHI	-1.251**	-0.084	-1.422**
	(-2.391)	(-0.751)	(-2.512)
Intercept	14.892***	15.654***	-0.328
	(24.699)	(304.334)	(-1.343)
Year and industry fixed effects	Yes	Yes	Yes
Firm clustering	Yes	Yes	Yes
N	15113	10857	10857
Adj. R-sq	0.116	0.295	0.088

This table presents the OLS regression results of estimating the relation between financial statement comparability and managers' linguistic features using the entropy balancing sample. *Comparability* refers to the median pairwise comparability for all peer firms in the same SIC2 industry as firm i during year t based on De Franco et al. (2011). *FogPres* refers to the Fog index of managers during the presentation session of the call. *InfoPres* (*ObfuPres*) refers to the information (obfuscation) level of managers during the presentation session of the call. See Appendix I for variable definitions. *, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively.

Table 8. Additional Robustness Tests

Panel A: Additional controls for omitted correlated variables and the alternative explanations

	(1)	(2)	(3)
	FogPres	***InfoPres***	***ObfuPres***
Comparability	**-0.037****	**-0.026*****	**-0.018**
	(-2.243)	**(-5.566)**	**(-1.116)**
Analyst	0.025*	0.001	0.020
	(1.790)	(0.280)	(1.487)
Leverage	0.147	0.316***	-0.122
	(0.692)	(6.439)	(-0.595)
Size	-0.133**	-0.081***	-0.006
	(-1.969)	(-4.292)	(-0.088)
BM	0.037	-0.096***	0.171
	(0.307)	(-3.241)	(1.399)
ROA	-0.049	-0.334***	0.395
	(-0.138)	(-3.062)	(1.125)
SpecItem	-0.474	0.116	-1.076**
	(-1.013)	(0.827)	(-2.038)
GeoSeg	-0.275	0.001	-0.142
	(-1.100)	(0.018)	(-0.501)
BusSeg	-0.058	0.042	-0.113
	(-0.468)	(1.529)	(-0.868)
Words	0.652***	0.088***	0.693***
	(3.068)	(2.946)	(3.765)
MNC	-0.033	-0.079**	0.017
	(-0.219)	(-2.344)	(0.111)
Subsidiary	-0.157	0.022	-0.241
	(-1.075)	(0.527)	(-1.599)
Institute	0.071	0.021	0.084
	(0.228)	(0.289)	(0.270)
Capex	-0.687	-0.758***	0.438
	(-0.562)	(-2.880)	(0.357)
HHI	-2.600*	-0.596*	-2.633
	(-1.729)	(-1.934)	(-1.531)
Intercept	9.843***	15.086***	-6.944***
	(4.438)	(50.013)	(-3.555)
Year and industry fixed effects	Yes	Yes	Yes
Firm clustering	Yes	Yes	Yes
N	1775	1309	1309
Adj. R-sq	0.188	0.457	0.163

This table presents the OLS regression results of estimating the relation between financial statement comparability and managers' linguistic features during conference calls. *Comparability* refers to the median pairwise comparability for all peer firms in the same SIC2 industry as firm i during year t based on De Franco et al. (2011). *FogPres* refers to the Fog index of managers during the presentation session of the call. *InfoPres* (*ObfuPres*) refers to the information (obfuscation) level of managers during the presentation session of the call. See Appendix I for variable definitions. *, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively.

Panel B: Firm fixed effects

	(1)	(2)	(3)
	FogPres	***InfoPres***	***ObfuPres***
Comparability	**-0.013***	**-0.016*****	**0.004**
	(-1.815)	**(-4.431)**	**(0.391)**
Analyst	0.005	0.002	0.003
	(0.878)	(1.335)	(0.577)
Leverage	0.215***	0.456***	-0.242***
	(3.235)	(20.673)	(-3.274)
Size	-0.046*	-0.088***	0.030
	(-1.828)	(-12.093)	(1.179)
BM	-0.021	-0.006	-0.025
	(-0.655)	(-0.716)	(-0.719)
ROA	-0.336**	-0.197***	-0.215*
	(-2.777)	(-6.712)	(-1.797)
SpecItem	-0.353**	0.049	-0.359**
	(-2.880)	(1.340)	(-2.742)
GeoSeg	-0.061	-0.035*	-0.049
	(-0.704)	(-1.917)	(-0.494)
BusSeg	0.145**	0.035***	0.107*
	(2.906)	(3.711)	(1.874)
Capex	-0.027	-0.476***	0.695*
	(-0.084)	(-6.292)	(1.954)
HHI	-0.495	0.149	-0.987
	(-0.857)	(1.324)	(-1.611)
Intercept	15.453***	15.915***	-0.295
	(76.421)	(290.384)	(-1.467)
Firm fixed effects	Yes	Yes	Yes
Firm clustering	Yes	Yes	Yes
N	14853	10580	10580
Adj. R-sq	0.591	0.700	0.565

This table presents the OLS regression results of estimating the relation between financial statement comparability and managers' linguistic features during conference calls. *Comparability* refers to the median pairwise comparability for all peer firms in the same SIC2 industry as firm i during year t based on De Franco et al. (2011). *FogPres* refers to the Fog index of managers during the presentation session of the call. *InfoPres* (*ObfuPres*) refers to the information (obfuscation) level of managers during the presentation session of the call. See Appendix I for variable definitions. *, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively.

Table 9. Alternative measures of financial statement comparability

	(1)	(2)	(3)
	FogPres	***InfoPres***	***ObfuPres***
Comparability2	**-0.030*** **	**-0.026*** **	**-0.003**
	(-3.528)	**(-13.675)**	**(-0.309)**
Analyst	0.001	0.004***	-0.001
	(0.097)	(4.005)	(-0.154)
Leverage	0.095	0.340***	-0.254**
	(0.942)	(16.332)	(-2.459)
Size	-0.087***	-0.081***	-0.009
	(-3.899)	(-18.388)	(-0.411)
BM	-0.008	-0.025***	0.030
	(-0.167)	(-2.657)	(0.596)
ROA	-0.868***	-0.551***	-0.225
	(-5.326)	(-13.022)	(-1.357)
SpecItem	-0.211	0.293***	-0.554**
	(-1.019)	(5.789)	(-2.535)
GeoSeg	-0.158	0.007	-0.172
	(-1.451)	(0.327)	(-1.487)
BusSeg	0.040	-0.025**	0.039
	(0.681)	(-2.227)	(0.646)
Capex	-1.349***	-1.243***	0.082
	(-3.216)	(-16.237)	(0.193)
HHI	-1.059*	-0.018	-1.429**
	(-1.769)	(-0.154)	(-2.255)
Intercept	16.059***	15.917***	0.248
	(85.800)	(435.860)	(1.271)
Year and industry fixed effects	Yes	Yes	Yes
Firm clustering	Yes	Yes	Yes
N	15113	10857	10857
Adj. R-sq	0.139	0.533	0.075

This table presents the OLS regression results of estimating the relation between financial statement comparability and managers' linguistic features using alternative comparability measures. *Comparability2* refers to the mean pairwise comparability for all peer firms in the same SIC2 industry as firm i during year t based on De Franco et al. (2011). *FogPres* refers to the Fog index of managers during the presentation session of the call. *InfoPres* (*ObfuPres*) refers to the information (obfuscation) level of managers during the presentation session of the call. See Appendix I for variable definitions. *, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively.