

## **“The Information Content of Earnings Announcements in Newly Public Firms: Evidence from the JOBS Act”**

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### **Abstract**

This study examines the effects of a major disclosure deregulation on the informativeness of accounting information in newly public firms. The Jumpstart Our Business Startups Act (JOBS Act) relaxes disclosure requirements during the IPO and the five subsequent years of being a public company for a new category of issuer (the Emerging Growth Company, EGC). Using a sample of US IPO issuers between 2002 and 2015, I document a significant difference in the information content of earnings for EGC (reduced disclosure) relative to non EGC (full disclosure) firms after the JOBS Act. First, EGC firms experience a decline in the information content of earnings. This result is driven not only by the reduced mandatory disclosure, but also by an increase in the EGC firms' voluntary disclosure through revenue-related press releases preceding the earnings announcements. In addition, I show that fewer analysts follow EGC firms after the Act, which is consistent with a decline in the information content of earnings for these firms. Second, I show an unexpected increase in the information content of earnings of non EGC firms after the Act. This provides evidence of a spillover effect, since non EGC firms should not have been affected by the deregulation. I explain this effect by an increase in the number of analysts following non EGC firms after the Act.