Q. Reference: PUB-NP-056

The conclusions of this study focus on a reduction in bias to the "median" forecast bias. Yet, Exhibit JMC-3 relies entirely on the use of mean forecast bias, both at the company level, and for the proxy groups. Please explain the reason for Mr. Coyne's decision to use mean forecasts rather than median forecasts, given that the study that Mr. Coyne relies upon to justify his approach itself suggests there is less bias in median forecasts.

A. Mr. Coyne presumes that the second sentence of the question intends to ask about the use of the mean forecast, not the "mean forecast bias." Given that understanding, Mr. Coyne relies on consensus EPS growth rates from Zacks, SNL and Thomson First Call. Zacks and Thomson First Call report the mean EPS growth rate of analysts surveyed, while SNL reports the median long-term growth rate. As shown in Exhibit JMC-3, the average EPS growth rates from SNL (which are median growth rates for each company) are slightly higher than the Zacks and Thomson First Call EPS growth rates. The only way to use median growth rates, as requested, would be to rely solely on SNL.

Mr. Coyne relied on growth rates from multiple sources in his Constant Growth DCF analysis, some of which are mean growth rates and others of which are median growth rates. The referenced study concludes that median forecast bias disappeared entirely and that mean forecast bias declined significantly after the Global Settlement.