



Earnings Distortion Scorecard: Week of 4/20/20-4/24/20

For the week of 4/20/20-4/24/20, we focus on the [Earnings Distortion Scores](#) for 129 companies.

Our proprietary measure of [earnings distortion](#) (as featured on [CNBC Squawk Box](#)) leverages cutting-edge ML technology featured in [Core Earnings: New Data & Evidence](#). This paper empirically concludes that our adjusted core earnings are superior to:

1. “Street Earnings” from Refinitiv’s IBES, owned by Blackstone (BX) and Thomson Reuters (TRI), and
2. “Income Before Special Items” from Compustat, owned by S&P Global (SPGI)

COVID-19 is [not disrupting](#) our data collection and research. Our [Robo-Analyst](#) is more effective than ever.

Get the best fundamental research

The paper also shows that investors with [better earnings](#) research have a clear advantage in predicting:

1. Future earnings (Section 3.4)
2. Future stock prices (Section 4.3)

Our Earnings Distortion Scores¹ empower investors to make smarter investments with superior data as well as defend against management efforts to obfuscate financial performance. Earnings distortion for the overall market recently reached [levels not seen since right before the tech bubble](#) and the financial crisis.

Weekly Earnings Distortion Insights

Figure 1 contains the 15 largest (by market cap) companies that earn a “Strong Beat” or “Strong Miss” Earnings Distortion Score and are expected to report the week of April 20, 2020.

Figure 1: Earnings Distortion Scorecard Highlights: Week of 4/20/20-4/24/20

Company	Ticker	EPS Estimate	Expected Earnings Date	Earnings Distortion Score
Cadence Design Systems	CDNS	\$0.54	4/20/20	Strong Miss
Halliburton Co.	HAL	\$0.25	4/20/20	Strong Beat
Lennox International Inc.	LII	\$1.15	4/20/20	Strong Miss
Procter & Gamble Co.	PG	\$1.09	4/21/20	Strong Beat
Texas Instruments Inc.	TXN	\$1.01	4/21/20	Strong Miss
First Industrial Realty Trust	FR	\$0.01	4/21/20	Strong Miss
Lam Research Corp	LRCX	\$4.04	4/22/20	Strong Miss
Citrix Systems Inc.	CTXS	\$1.16	4/22/20	Strong Miss
Intel Corp	INTC	\$1.28	4/23/20	Strong Miss
Eli Lilly and Co.	LLY	\$1.47	4/23/20	Strong Miss
Illumina Inc.	ILMN	\$1.22	4/23/20	Strong Miss
Seattle Genetics Inc.	SGEN	-\$0.77	4/23/20	Strong Miss
Alexion Pharmaceuticals Inc.	ALXN	\$2.70	4/23/20	Strong Miss
Old Republic International	ORI	\$0.36	4/23/20	Strong Miss
Entegris Inc.	ENTG	\$0.52	4/23/20	Strong Miss

Sources: New Constructs, LLC and company filings

¹ Earnings Distortion scores on ~3,0000 stocks are also available to clients of our website.



The appendix shows the Earnings Distortion Scores for all the S&P 500 companies, plus those with market caps greater than \$10 billion, that are expected to report the week of April 20, 2020.

Details: Entegris Inc. (ENTG) Earnings Distortion

We first featured Entegris at the beginning of [Filing Season](#) in our report “[Danger Zone: Investors Who Ignore the Real Earnings Season.](#)” While the stock has fallen less than the market since our report, its earnings remain overstated. In 2019, Entegris had \$60 million in net earnings distortion that cause earnings to be overstated. Notable unusual income in ENTG’s 2019 10-K includes:

- [\\$122 million](#) in other income related to the Versum termination fee

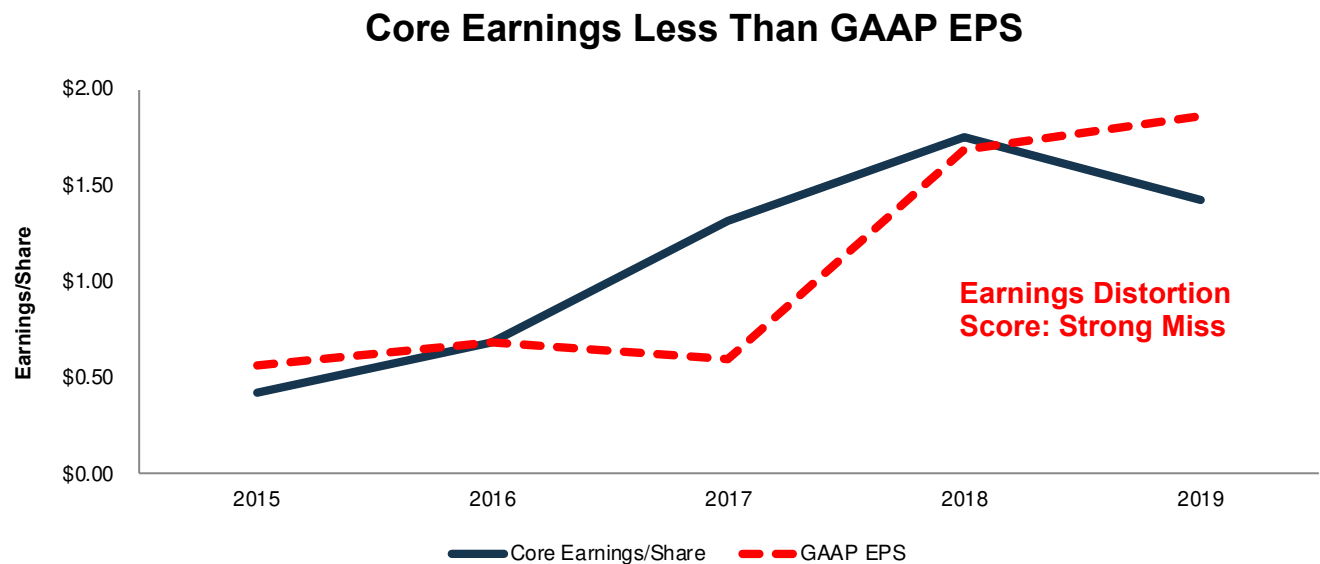
This unusual income was partially offset by notable unusual expenses, such as:

- [\\$9 million](#) in severance and restructuring costs – Page 36
- [\\$4 million](#) in costs associated with the acquisition of MPD – Page F-15 (Page 75 total)
- [\\$2 million](#) in costs associated with the acquisition of DSC – Page F-16 (Page 76 total)
- [\\$2 million](#) in severance and restructuring costs – Page 37

In total, we identified \$0.44/share (24% of GAAP EPS) in net unusual income in ENTG’s 2019 GAAP results. After removing this earnings distortion, ENTG’s 2019 core earnings of \$1.43/share are lower than GAAP EPS of \$1.87, per Figure 2.

With overstated earnings, ENTG gets our “Strong Miss” Earnings Distortion Score and is likely to miss consensus expectations.

Figure 2: ENTG Core Earnings Vs. GAAP: 2015 – 2019



Sources: New Constructs, LLC and company filings

Figure 1 shows that ENTG is one of 13 companies that earn our “Strong Miss” score for this week.

How to Make Money with Earnings Distortion Data

“Trading strategies that exploit {adjustments provided by New Constructs} produce abnormal returns of 7-to-10% per year.” – Page 1 in [Core Earnings: New Data & Evidence](#)

In Section 4.3, professors from HBS & MIT Sloan present a long/short strategy that holds the stocks with the most understated EPS and shorts the stocks with the most overstated earnings.

This strategy produced abnormal returns of 7-to-10% a year. Click [here](#) for more details on our data offerings.



We Provide 100% Audit-ability & Transparency

Clients can audit all of the unusual items used in our calculations in the [Marked-Up Filings section](#) of each of our [Company Valuation models](#). We are 100% transparent about what goes into our research because we want investors to trust our work and see how much goes into building the best earnings quality and valuation models.

This article originally published on [April 13, 2020](#).

Disclosure: David Trainer, Kyle Guske II, and Matt Shuler receive no compensation to write about any specific stock, sector, style, or theme.

Follow us on [Twitter](#), [Facebook](#), [LinkedIn](#), and [StockTwits](#) for real-time alerts on all our research.

**Appendix: All Major Companies Expected to Report April 20 – April 24**

Figure 3 shows all the S&P 500 companies, plus those with market caps greater than \$10 billion, that are expected to report the week of April 20, 2020.

Figure 3: Earnings Distortion Scorecard: Week of 4/20/20-4/24/20

Company	Ticker	EPS Estimate	Expected Earnings Date	Earnings Distortion Score
International Business Machines	IBM	\$1.87	4/20/20	Miss
Truist Financial Corp	TFC	\$0.95	4/20/20	In-line
Cadence Design Systems Inc.	CDNS	\$0.54	4/20/20	Strong Miss
M&T Bank Corp	MTB	\$2.97	4/20/20	In-line
TransUnion	TRU	\$0.70	4/20/20	In-line
Equity LifeStyle Properties Inc.	ELS	\$0.37	4/20/20	Miss
NVR Inc.	NVR	\$45.52	4/20/20	Miss
Halliburton Co.	HAL	\$0.25	4/20/20	Strong Beat
Zions Bancorporation	ZION	\$0.92	4/20/20	In-line
Procter & Gamble Co.	PG	\$1.09	4/21/20	Strong Beat
Coca-Cola Co.	KO	\$0.45	4/21/20	In-line
Netflix Inc.	NFLX	\$1.63	4/21/20	Miss
Philip Morris International Inc.	PM	\$1.12	4/21/20	Beat
NextEra Energy Inc.	NEE	\$2.12	4/21/20	Miss
Lockheed Martin Corp	LMT	\$5.81	4/21/20	Miss
Texas Instruments Inc.	TXN	\$1.01	4/21/20	Strong Miss
Stryker Corp	SYK	\$1.95	4/21/20	In-line
Prologis Inc.	PLD	\$0.30	4/21/20	In-line
Chubb Ltd	CB	\$2.67	4/21/20	In-line
Edwards Lifesciences Corp	EW	\$1.47	4/21/20	In-line
Travelers Companies Inc.	TRV	\$2.80	4/21/20	In-line
eBay Inc.	EBAY	\$0.73	4/21/20	In-line
PACCAR Inc.	PCAR	\$1.29	4/21/20	Miss
FirstEnergy Corp	FE	\$0.64	4/21/20	In-line
CoStar Group Inc.	CSGP	\$2.28	4/21/20	Miss
TD Ameritrade Holding Corp	AMTD	\$0.82	4/21/20	In-line
Chipotle Mexican Grill Inc.	CMG	\$0.06	4/21/20	In-line
New Oriental Education & Technology	EDU	\$0.83	4/21/20	In-line
Snap Inc.	SNAP	-\$0.06	4/21/20	Beat
Northern Trust Corp	NTRS	\$1.53	4/21/20	In-line
Waters Corp	WAT	\$1.56	4/21/20	In-line
Nucor Corp	NUE	\$0.94	4/21/20	In-line
W. R. Berkley Corp	WRB	\$0.76	4/21/20	In-line
Hasbro Inc.	HAS	\$0.57	4/21/20	In-line
Synchrony Financial	SYF	\$0.74	4/21/20	In-line
Robert Half International Inc.	RHI	\$0.87	4/21/20	In-line
Comerica Inc.	CMA	\$1.44	4/21/20	In-line
Harley-Davidson Inc.	HOG	\$0.62	4/21/20	In-line
Microsoft Corp	MSFT	\$1.29	4/22/20	Miss
Facebook Inc.	FB	\$1.84	4/22/20	Beat

Sources: New Constructs, LLC and company filings



Figure 3: Earnings Distortion Scorecard: Week of 4/20/20-4/24/20 (continued)

Company	Ticker	EPS Estimate	Expected Earnings Date	Earnings Distortion Score
Visa Inc.	V	\$1.35	4/22/20	Miss
AT&T Inc.	T	\$0.86	4/22/20	In-line
Thermo Fisher Scientific Inc.	TMO	\$2.81	4/22/20	In-line
PayPal Holdings Inc.	PYPL	\$0.78	4/22/20	In-line
Tesla Inc.	TSLA	-\$0.08	4/22/20	Beat
Boeing Co.	BA	-\$1.47	4/22/20	Beat
Biogen Inc.	BIIB	\$7.76	4/22/20	Miss
CSX Corp	CSX	\$0.93	4/22/20	Miss
Kimberly-Clark Corp	KMB	\$1.87	4/22/20	In-line
Moody's Corp	MCO	\$2.18	4/22/20	In-line
General Dynamics Corp	GD	\$2.65	4/22/20	In-line
Lam Research Corp	LRCX	\$4.04	4/22/20	Strong Miss
O'Reilly Automotive Inc.	ORLY	\$4.19	4/22/20	Miss
T. Rowe Price Group Inc.	TROW	\$1.96	4/22/20	In-line
Amphenol Corp	APH	\$0.76	4/22/20	In-line
Xilinx Inc.	XLNX	\$0.69	4/22/20	In-line
AvalonBay Communities Inc.	AVB	\$1.17	4/22/20	Miss
Citrix Systems Inc.	CTXS	\$1.16	4/22/20	Strong Miss
Nasdaq Inc.	NDAQ	\$1.35	4/22/20	In-line
Ameriprise Financial Inc.	AMP	\$4.18	4/22/20	In-line
Baker Hughes Co.	BKR	\$0.13	4/22/20	Beat
Teledyne Technologies Inc.	TDY	\$2.29	4/22/20	In-line
Sun Communities Inc.	SUI	\$0.20	4/22/20	Miss
Quest Diagnostics Inc.	DGX	\$1.18	4/22/20	Miss
Discover Financial Services	DFS	\$1.64	4/22/20	In-line
Varian Medical Systems Inc.	VAR	\$0.92	4/22/20	Beat
Textron Inc.	TXT	\$0.54	4/22/20	Miss
Fortune Brands Home & Security	FBHS	\$0.70	4/22/20	In-line
FLIR Systems Inc.	FLIR	\$0.42	4/22/20	Beat
Xerox Holdings Corp	XRX	\$0.46	4/22/20	Strong Miss
TechnipFMC PLC	FTI	\$0.26	4/22/20	Strong Beat
SL Green Realty Corp	SLG	\$0.47	4/22/20	In-line
Amazon.com Inc.	AMZN	\$6.36	4/23/20	Miss
Intel Corp	INTC	\$1.28	4/23/20	Strong Miss
Eli Lilly and Co.	LLY	\$1.47	4/23/20	Strong Miss
Union Pacific Corp	UNP	\$1.89	4/23/20	Miss
T-Mobile U.S. Inc.	TMUS	\$1.02	4/23/20	In-line
Illinois Tool Works Inc.	ITW	\$1.79	4/23/20	Miss
Marsh & McLennan Companies	MMC	\$1.58	4/23/20	In-line
Air Products and Chemicals	APD	\$2.12	4/23/20	Miss
Illumina Inc.	ILMN	\$1.22	4/23/20	Strong Miss
American Electric Power Company	AEP	\$1.20	4/23/20	Miss
TAL Education Group	TAL	\$0.05	4/23/20	Beat

Sources: New Constructs, LLC and company filings

**Figure 3: Earnings Distortion Scorecard: Week of 4/20/20-4/24/20 (continued)**

Company	Ticker	EPS Estimate	Expected Earnings Date	Earnings Distortion Score
Hershey Co.	HSY	\$1.69	4/23/20	Beat
WEC Energy Group Inc.	WEC	\$1.33	4/23/20	Miss
Verisign Inc.	VRSN	\$1.27	4/23/20	Miss
Capital One Financial Corp	COF	\$1.82	4/23/20	In-line
Seattle Genetics Inc.	SGEN	-\$0.77	4/23/20	Strong Miss
Alexion Pharmaceuticals Inc.	ALXN	\$2.70	4/23/20	Strong Miss
Cerner Corp	CERN	\$0.70	4/23/20	Beat
Fortive Corp	FTV	\$0.72	4/23/20	Beat
Rockwell Automation Inc.	ROK	\$1.91	4/23/20	In-line
CMS Energy Corp	CMS	\$0.86	4/23/20	Miss
Old Dominion Freight Line Inc.	ODFL	\$1.13	4/23/20	In-line
Southwest Airlines Co.	LUV	-\$0.09	4/23/20	In-line
Biomarin Pharmaceutical Inc.	BMRN	\$0.06	4/23/20	Miss
W.W. Grainger Inc.	GWW	\$4.57	4/23/20	Beat
Domino's Pizza Inc.	DPZ	\$2.33	4/23/20	Miss
West Pharmaceutical Services	WST	\$0.83	4/23/20	In-line
Yandex NV	YNDX	\$27.28	4/23/20	Beat
IDEX Corp	IEX	\$1.30	4/23/20	In-line
Hess Corp	HES	-\$0.42	4/23/20	Beat
Freeport-McMoRan Inc.	FCX	-\$0.07	4/23/20	Beat
Tractor Supply Co	TSCO	\$0.62	4/23/20	In-line
Westinghouse Air Brake Technologies	WAB	\$1.01	4/23/20	In-line
Allegion PLC	ALLE	\$0.91	4/23/20	Beat
Universal Health Services Inc.	UHS	\$2.75	4/23/20	In-line
SVB Financial Group	SIVB	\$4.07	4/23/20	In-line
Eastman Chemical Co.	EMN	\$1.69	4/23/20	In-line
Iron Mountain Inc.	IRM	\$0.19	4/23/20	In-line
LKQ Corp	LKQ	\$0.57	4/23/20	In-line
PulteGroup Inc.	PHM	\$0.70	4/23/20	Beat
Mohawk Industries Inc.	MHK	\$1.87	4/23/20	In-line
Invesco Ltd	IVZ	\$0.57	4/23/20	In-line
Alaska Air Group Inc.	ALK	-\$0.61	4/23/20	In-line
Alliance Data Systems Corp	ADS	\$3.75	4/23/20	Beat
Verizon Communications Inc.	VZ	\$1.22	4/24/20	In-line
American Express Co.	AXP	\$1.70	4/24/20	In-line
Archer Daniels Midland Co.	ADM	\$0.56	4/24/20	In-line
LyondellBasell Industries NV	LYB	\$1.79	4/24/20	In-line
Ventas Inc.	VTR	\$0.28	4/24/20	In-line
Franklin Resources Inc.	BEN	\$0.53	4/24/20	In-line
Cabot Oil & Gas Corp	COG	\$0.12	4/24/20	Miss
Interpublic Group of Companies	IPG	\$0.11	4/24/20	In-line
American Airlines Group Inc.	AAL	-\$1.58	4/24/20	In-line

Sources: New Constructs, LLC and company filings



Footnotes adjustments matter. We are the ONLY source.

We provide ratings, models, reports & screeners on U.S. 3,000 stocks, 700 ETFs and 7,000 mutual funds.

HBS & MIT Sloan research reveals that:

- **Markets are inefficiently assessing earnings because no one reads the footnotes.**
- **Corporate managers hide gains/losses in footnotes to manage earnings.**
- **Our technology brings the material footnotes data to market for the first time ever.**

Combining human expertise with NLP/ML/AI technologies ([featured by Harvard Business School](#)), we shine a light in the dark corners (e.g. footnotes) of hundreds of thousands of financial filings to unearth critical details.

The HBS & MIT Sloan paper, [Core Earnings: New Data and Evidence](#), shows how our superior data drives uniquely comprehensive and independent debt and equity research.

This [paper](#) compares our analytics on a mega cap company to other major providers. The Appendix details exactly how we stack up.

Learn [more](#).

Quotes from HBS & MIT Sloan professors on our research:

Get better research:

“...the NC dataset provides a novel opportunity to study the properties of non-operating items disclosed in 10-Ks, and to examine the extent to which the market impounds their implications.” – page 20

Pick better stocks:

“Trading strategies that exploit cross-sectional differences in firms’ transitory earnings produce abnormal returns of 7-to-10% per year.” – Abstract

Avoid losses from using other firms’ data:

“...many of the income-statement-relevant quantitative disclosures collected by NC do not appear to be easily identifiable in Compustat...” – page 14

Build better models:

“Core Earnings [calculated using New Constructs’ novel dataset] provides predictive power for various measures of one-year-ahead performance...that is incremental to their current-period counterparts.” – page 4

Exploit market inefficiencies:

“These results ... suggest that the adjustments made by analysts and Compustat to better capture core earnings are incomplete. Moreover, the non-core items identified by NC produce a measure of core earnings that is incremental to alternative measures of operating performance in predicting an array of future income measures.” – page 26

Fulfill fiduciary duties:

“An appropriate measure of accounting performance for purposes of forecasting future performance requires detailed analysis of all quantitative performance disclosures detailed in the annual report, including those reported only in the footnotes and in the MD&A.” – page 33-34



DISCLOSURES

New Constructs®, LLC (together with any subsidiaries and/or affiliates, "New Constructs") is an independent organization with no management ties to the companies it covers. None of the members of New Constructs' management team or the management team of any New Constructs' affiliate holds a seat on the Board of Directors of any of the companies New Constructs covers. New Constructs does not perform any investment or merchant banking functions and does not operate a trading desk.

New Constructs' Stock Ownership Policy prevents any of its employees or managers from engaging in Insider Trading and restricts any trading whereby an employee may exploit inside information regarding our stock research. In addition, employees and managers of the company are bound by a code of ethics that restricts them from purchasing or selling a security that they know or should have known was under consideration for inclusion in a New Constructs report nor may they purchase or sell a security for the first 15 days after New Constructs issues a report on that security.

DISCLAIMERS

The information and opinions presented in this report are provided to you for information purposes only and are not to be used or considered as an offer or solicitation of an offer to buy or sell securities or other financial instruments. New Constructs has not taken any steps to ensure that the securities referred to in this report are suitable for any particular investor and nothing in this report constitutes investment, legal, accounting or tax advice. This report includes general information that does not take into account your individual circumstance, financial situation or needs, nor does it represent a personal recommendation to you. The investments or services contained or referred to in this report may not be suitable for you and it is recommended that you consult an independent investment advisor if you are in doubt about any such investments or investment services.

Information and opinions presented in this report have been obtained or derived from sources believed by New Constructs to be reliable, but New Constructs makes no representation as to their accuracy, authority, usefulness, reliability, timeliness or completeness. New Constructs accepts no liability for loss arising from the use of the information presented in this report, and New Constructs makes no warranty as to results that may be obtained from the information presented in this report. Past performance should not be taken as an indication or guarantee of future performance, and no representation or warranty, express or implied, is made regarding future performance. Information and opinions contained in this report reflect a judgment at its original date of publication by New Constructs and are subject to change without notice. New Constructs may have issued, and may in the future issue, other reports that are inconsistent with, and reach different conclusions from, the information presented in this report. Those reports reflect the different assumptions, views and analytical methods of the analysts who prepared them and New Constructs is under no obligation to insure that such other reports are brought to the attention of any recipient of this report.

New Constructs' reports are intended for distribution to its professional and institutional investor customers. Recipients who are not professionals or institutional investor customers of New Constructs should seek the advice of their independent financial advisor prior to making any investment decision or for any necessary explanation of its contents.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would be subject New Constructs to any registration or licensing requirement within such jurisdiction.

This report may provide the addresses of websites. Except to the extent to which the report refers to New Constructs own website material, New Constructs has not reviewed the linked site and takes no responsibility for the content therein. Such address or hyperlink (including addresses or hyperlinks to New Constructs own website material) is provided solely for your convenience and the information and content of the linked site do not in any way form part of this report. Accessing such websites or following such hyperlink through this report shall be at your own risk.

All material in this report is the property of, and under copyright, of New Constructs. None of the contents, nor any copy of it, may be altered in any way, copied, or distributed or transmitted to any other party without the prior express written consent of New Constructs. All trademarks, service marks and logos used in this report are trademarks or service marks or registered trademarks or service marks of New Constructs.

Copyright New Constructs, LLC 2003 through the present date. All rights reserved.