



## Earnings Distortion Scorecard: Week of 4/27/20-5/1/20

For the week of 4/27/20-5/1/20, we focus on the [Earnings Distortion Scores](#) for 173 companies.

Our proprietary measure of [earnings distortion](#) (as featured on [CNBC Squawk Box](#)) leverages proprietary data 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 Scores<sup>1</sup> 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 27, 2020.

**Figure 1: Earnings Distortion Scorecard Highlights: Week of 4/27/20-5/1/20**

Company	Ticker	EPS Estimate	Expected Earnings Date	Earnings Distortion Score
Mastercard Inc.	MA	\$1.76	4/28/20	Strong Miss
Pfizer Inc.	PFE	\$0.73	4/28/20	Strong Miss
Starbucks Corp	SBUX	\$0.43	4/28/20	Strong Miss
Roper Technologies Inc.	ROP	\$2.94	4/28/20	Strong Miss
Qualcomm Inc.	QCOM	\$0.83	4/29/20	Strong Beat
ServiceNow Inc.	NOW	\$0.96	4/29/20	Strong Miss
Boston Scientific Corp	BSX	\$0.33	4/29/20	Strong Miss
L3harris Technologies Inc.	LHX	\$2.63	4/29/20	Strong Miss
Yum! Brands Inc.	YUM	\$0.72	4/29/20	Strong Miss
Apple Inc.	AAPL	\$2.42	4/30/20	Strong Miss
Gilead Sciences Inc.	GILD	\$1.56	4/30/20	Strong Miss
Altria Group Inc.	MO	\$0.98	4/30/20	Strong Beat
ConocoPhillips	COP	\$0.40	4/30/20	Strong Miss
Dow Inc.	DOW	\$0.58	4/30/20	Strong Beat
Johnson Controls International	JCI	\$0.41	5/1/20	Strong Miss

Sources: New Constructs, LLC and company filings

<sup>1</sup> 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 27, 2020.

**Details: Gilead Sciences, Inc. (GILD) Earnings Distortion**

We first featured Gilead Sciences as a [Long Idea](#) in [January 2015](#). In 2019, Gilead had \$1.8 billion in net earnings distortion that cause earnings to be overstated. Notable unusual income in GILD’s 2019 10-K includes:

- [\\$1.9 billion](#) in Other income reported on the income statement

This unusual income was partially offset by notable unusual expenses [hidden](#) in GILD’s 2019 10-K:

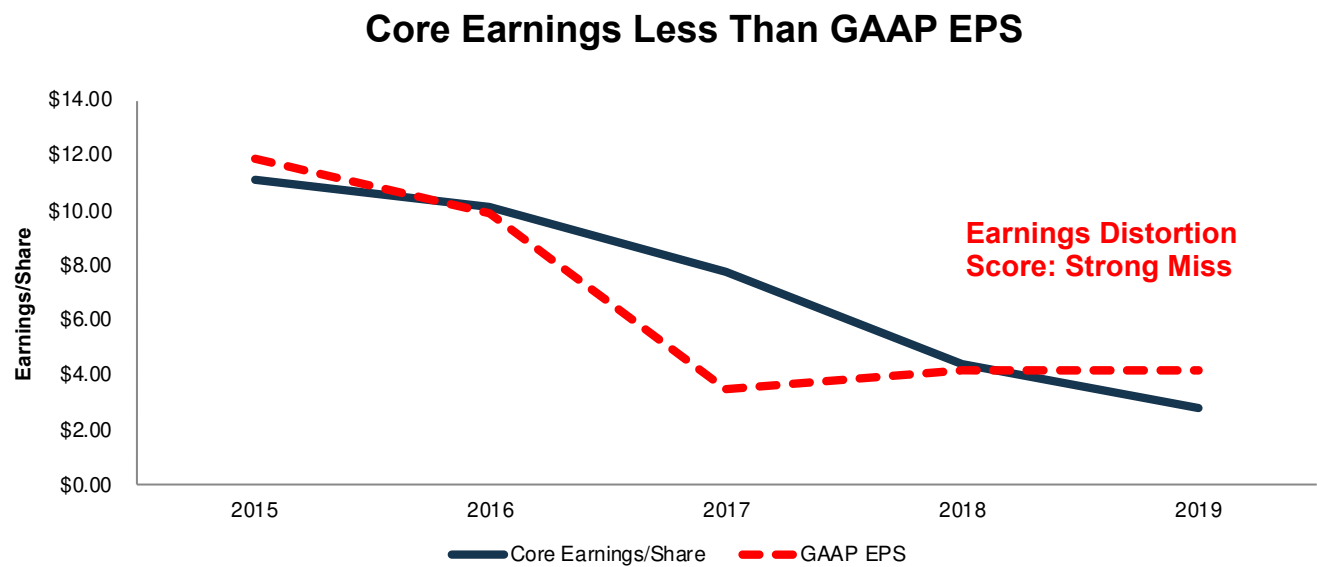
- [\\$800 million](#) impairment charge related to IPR&D intangible assets acquired in connection with GILD’s acquisition of Kite Pharma, Inc. – Page 36
- [\\$649 million](#) in inventory write-downs – Page 66

In addition, we made a \$1.3 billion adjustment for income tax distortion. This adjustment normalizes reported income taxes and removes the impact of unusual or less persistent items on the taxes applied to core earnings.

In total, we identified \$1.38/share (33% of GAAP EPS) in net unusual income in GILD’s 2019 GAAP results. After removing this earnings distortion, GILD’s 2019 core earnings of \$2.83/share are lower than GAAP EPS of \$4.22, per Figure 2.

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

**Figure 2: GILD Core Earnings Vs. GAAP: 2015 – 2019**



Sources: New Constructs, LLC and company filings

Figure 1 shows that GILD is one of 12 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 20, 2020](#).*

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

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**Appendix: All Major Companies Expected to Report April 27 – May 1**

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 27, 2020.

**Figure 3: Earnings Distortion Scorecard: Week of 4/27/20-5/1/20**

Company	Ticker	EPS Estimate	Expected Earnings Date	Earnings Distortion Score
Alphabet Inc.	GOOGL	\$11.42	4/27/20	In-line
NXP Semiconductors NV	NXPI	\$1.55	4/27/20	In-line
Southern Copper Corp	SCCO	\$0.46	4/27/20	In-line
PPG Industries Inc.	PPG	\$1.28	4/27/20	In-line
Alexandria Real Estate Equities Inc.	ARE	\$0.72	4/27/20	Miss
Garmin Ltd	GRMN	\$0.86	4/27/20	Strong Miss
Cincinnati Financial Corp	CINF	\$1.04	4/27/20	Strong Miss
Western Digital Corp	WDC	\$0.93	4/27/20	Beat
Brown & Brown Inc.	BRO	\$0.47	4/27/20	In-line
Celanese Corp	CE	\$2.40	4/27/20	In-line
Principal Financial Group Inc.	PFG	\$1.33	4/27/20	In-line
Packaging Corp of America	PKG	\$1.20	4/27/20	In-line
F5 Networks Inc.	FFIV	\$2.05	4/27/20	In-line
MGM Resorts International	MGM	-\$0.06	4/27/20	Strong Miss
National Oilwell Varco Inc.	NOV	\$0.12	4/27/20	Strong Beat
Advanced Micro Devices Inc.	AMD	\$0.18	4/27/20	Beat
Mastercard Inc.	MA	\$1.76	4/28/20	Strong Miss
Merck & Co Inc.	MRK	\$1.35	4/28/20	Beat
Pfizer Inc.	PFE	\$0.73	4/28/20	Strong Miss
PepsiCo Inc.	PEP	\$1.01	4/28/20	In-line
United Parcel Service Inc.	UPS	\$1.32	4/28/20	Beat
Starbucks Corp	SBUX	\$0.43	4/28/20	Strong Miss
3M Co.	MMM	\$2.07	4/28/20	Beat
Mondelez International Inc.	MDLZ	\$0.66	4/28/20	Miss
Fidelity National Information Services	FIS	\$1.32	4/28/20	In-line
Vertex Pharmaceuticals Inc.	VRTX	\$1.78	4/28/20	Miss
Fiserv Inc.	FISV	\$1.05	4/28/20	In-line
Caterpillar Inc.	CAT	\$1.87	4/28/20	In-line
Ecolab Inc.	ECL	\$1.07	4/28/20	In-line
Centene Corp	CNC	\$0.95	4/28/20	In-line
Roper Technologies Inc.	ROP	\$2.94	4/28/20	Strong Miss
DexCom Inc.	DXCM	\$0.16	4/28/20	Miss
Sirius XM Holdings Inc.	SIRI	\$0.05	4/28/20	Beat
TE Connectivity Ltd	TEL	\$1.11	4/28/20	Miss
Cummins Inc.	CMI	\$2.37	4/28/20	Miss
Welltower Inc.	WELL	\$0.36	4/28/20	Strong Miss
Edison International	EIX	\$0.82	4/28/20	Miss
Ford Motor Co.	F	\$0.10	4/28/20	In-line
Simon Property Group Inc.	SPG	\$1.62	4/28/20	In-line
Incyte Corp	INCY	\$0.63	4/28/20	Miss

Sources: New Constructs, LLC and company filings



Figure 3: Earnings Distortion Scorecard: Week of 4/27/20-5/1/20 (continued)

Company	Ticker	EPS Estimate	Expected Earnings Date	Earnings Distortion Score
Fair Isaac Corp	FICO	\$1.71	4/28/20	Miss
Yum China Holdings Inc.	YUMC	-\$0.18	4/28/20	In-line
Boston Properties Inc.	BXP	\$0.84	4/28/20	In-line
Akamai Technologies Inc.	AKAM	\$1.15	4/28/20	Beat
Corning Inc.	GLW	\$0.19	4/28/20	Beat
D.R. Horton Inc.	DHI	\$1.09	4/28/20	In-line
Maxim Integrated Products Inc.	MXIM	\$0.59	4/28/20	Strong Miss
Avangrid Inc.	AGR	\$0.76	4/28/20	In-line
Twilio Inc.	TWLO	-\$0.10	4/28/20	Miss
KKR & Co Inc.	KKR	\$0.42	4/28/20	In-line
Markel Corp	MKL	\$10.14	4/28/20	Strong Miss
Paycom Software Inc.	PAYC	\$1.28	4/28/20	In-line
Jack Henry & Associates Inc.	JKHY	\$0.81	4/28/20	Miss
SS&C Technologies Holdings Inc.	SSNC	\$0.96	4/28/20	In-line
Martin Marietta Materials Inc.	MLM	\$0.60	4/28/20	In-line
ONEOK Inc.	OKE	\$0.83	4/28/20	In-line
Extra Space Storage Inc.	EXR	\$0.76	4/28/20	In-line
Zebra Technologies Corp	ZBRA	\$2.92	4/28/20	Miss
Masimo Corp	MASI	\$0.89	4/28/20	In-line
Concho Resources Inc.	CXO	\$0.71	4/28/20	Beat
C.H. Robinson Worldwide Inc.	CHRW	\$0.73	4/28/20	In-line
Juniper Networks Inc.	JNPR	\$0.25	4/28/20	In-line
IPG Photonics Corp	IPGP	\$0.20	4/28/20	Beat
Nielsen Holdings PLC	NLSN	\$0.33	4/28/20	Strong Beat
Devon Energy Corp	DVN	-\$0.17	4/28/20	Beat
Iqvia Holdings Inc.	IQV	\$1.59	4/28/20	In-line
S&P Global Inc.	SPGI	\$2.29	4/28/20	In-line
MSCI Inc.	MSCI	\$1.71	4/28/20	Miss
Spotify Technology SA	SPOT	-\$0.50	4/29/20	Beat
Laboratory Corporation of America	LH	\$2.47	4/29/20	In-line
Qualcomm Inc.	QCOM	\$0.83	4/29/20	Strong Beat
CVS Health Corp	CVS	\$1.62	4/29/20	In-line
Crown Castle International Corp	CCI	\$0.49	4/29/20	In-line
CME Group Inc.	CME	\$2.14	4/29/20	In-line
Anthem Inc.	ANTM	\$6.46	4/29/20	In-line
Southern Co.	SO	\$0.74	4/29/20	Miss
Automatic Data Processing Inc.	ADP	\$1.92	4/29/20	In-line
General Electric Co.	GE	\$0.11	4/29/20	Beat
Northrop Grumman Corp	NOC	\$5.48	4/29/20	Beat
ServiceNow Inc.	NOW	\$0.96	4/29/20	Strong Miss
Boston Scientific Corp	BSX	\$0.33	4/29/20	Strong Miss
Humana Inc.	HUM	\$4.53	4/29/20	Miss
Sherwin-Williams Co	SHW	\$3.94	4/29/20	Beat

Sources: New Constructs, LLC and company filings

**Figure 3: Earnings Distortion Scorecard: Week of 4/27/20-5/1/20 (continued)**

Company	Ticker	EPS Estimate	Expected Earnings Date	Earnings Distortion Score
L3harris Technologies Inc.	LHX	\$2.63	4/29/20	Strong Miss
Norfolk Southern Corp	NSC	\$2.31	4/29/20	Miss
Enterprise Products Partners LP	EPD	\$0.53	4/29/20	In-line
Eversource Energy	ES	\$1.02	4/29/20	In-line
Aflac Inc.	AFL	\$1.11	4/29/20	In-line
Yum! Brands Inc.	YUM	\$0.72	4/29/20	Strong Miss
Valero Energy Corp	VLO	\$0.68	4/29/20	In-line
Entergy Corp	ETR	\$1.03	4/29/20	Miss
Hilton Worldwide Holdings Inc.	HLT	\$0.71	4/29/20	Miss
Ametek Inc.	AME	\$0.99	4/29/20	In-line
CDW Corp	CDW	\$1.29	4/29/20	In-line
Marketaxess Holdings Inc.	MKTX	\$1.74	4/29/20	In-line
Align Technology Inc.	ALGN	\$1.11	4/29/20	Miss
Hartford Financial Services Group Inc.	HIG	\$1.35	4/29/20	In-line
Alnylam Pharmaceuticals Inc.	ALNY	-\$1.88	4/29/20	Miss
Duke Realty Corp	DRE	\$0.11	4/29/20	Strong Miss
Tyler Technologies Inc.	TYL	\$1.28	4/29/20	In-line
Rollins Inc.	ROL	\$0.14	4/29/20	Beat
Hologic Inc.	HOLX	\$0.60	4/29/20	Beat
Masco Corp	MAS	\$0.36	4/29/20	Strong Miss
NiSource Inc.	NI	\$0.82	4/29/20	Beat
Raymond James Financial Inc.	RJF	\$1.69	4/29/20	In-line
Avery Dennison Corp	AVY	\$1.51	4/29/20	Strong Beat
United Rentals Inc.	URI	\$3.01	4/29/20	In-line
Host Hotels & Resorts Inc.	HST	\$0.13	4/29/20	Strong Miss
Royal Caribbean Cruises Ltd	RCL	\$0.03	4/29/20	In-line
CF Industries Holdings Inc.	CF	\$0.26	4/29/20	Miss
Apache Corp	APA	-\$0.16	4/29/20	Strong Beat
American Tower Corp	AMT	\$1.07	4/29/20	In-line
Apple Inc.	AAPL	\$2.42	4/30/20	Strong Miss
McDonald's Corp	MCD	\$1.75	4/30/20	In-line
Amgen Inc.	AMGN	\$3.77	4/30/20	Miss
Eaton Corporation PLC	ETN	\$1.13	4/30/20	In-line
Willis Towers Watson PLC	WLTW	\$3.16	4/30/20	Miss
Public Storage	PSA	\$1.71	4/30/20	In-line
IDEXX Laboratories Inc.	IDXX	\$1.24	4/30/20	In-line
Gilead Sciences Inc.	GILD	\$1.56	4/30/20	Strong Miss
Altria Group Inc.	MO	\$0.98	4/30/20	Strong Beat
Cigna Corp	CI	\$4.31	4/30/20	In-line
Intercontinental Exchange Inc.	ICE	\$1.12	4/30/20	In-line
Baxter International Inc.	BAX	\$0.73	4/30/20	Beat
Global Payments Inc.	GPN	\$1.65	4/30/20	Beat
ConocoPhillips	COP	\$0.40	4/30/20	Strong Miss

Sources: New Constructs, LLC and company filings

**Figure 3: Earnings Distortion Scorecard: Week of 4/27/20-5/1/20 (continued)**

Company	Ticker	EPS Estimate	Expected Earnings Date	Earnings Distortion Score
Monster Beverage Corp	MNST	\$0.49	4/30/20	Miss
MercadoLibre Inc.	MELI	-\$0.49	4/30/20	Beat
Dow Inc.	DOW	\$0.58	4/30/20	Strong Beat
Motorola Solutions Inc.	MSI	\$1.28	4/30/20	Beat
Republic Services Inc.	RSG	\$0.77	4/30/20	In-line
ResMed Inc.	RMD	\$1.05	4/30/20	Beat
Twitter Inc.	TWTR	\$0.13	4/30/20	Strong Miss
PPL Corp	PPL	\$0.73	4/30/20	Miss
Parker-Hannifin Corp	PH	\$2.29	4/30/20	In-line
Stanley Black & Decker Inc.	SWK	\$1.22	4/30/20	Beat
Church & Dwight Co Inc.	CHD	\$0.76	4/30/20	Miss
Arthur J Gallagher & Co.	AJG	\$1.75	4/30/20	Miss
Aptiv PLC	APTV	\$0.62	4/30/20	Beat
Teleflex Inc.	TFX	\$2.45	4/30/20	Miss
Vulcan Materials Co.	VMC	\$0.49	4/30/20	In-line
International Paper Co.	IP	\$0.48	4/30/20	In-line
Alliant Energy Corp	LNT	\$0.55	4/30/20	Miss
GoDaddy Inc.	GDDY	\$0.18	4/30/20	In-line
Molson Coors Beverage Co.	TAP	\$0.35	4/30/20	Beat
Live Nation Entertainment Inc.	LYV	-\$0.52	4/30/20	In-line
Expedia Group Inc.	EXPE	-\$0.89	4/30/20	In-line
NRG Energy Inc.	NRG	\$0.47	4/30/20	Strong Miss
Abiomed Inc.	ABMD	\$0.98	4/30/20	Strong Miss
Whirlpool Corp	WHR	\$2.76	4/30/20	Strong Miss
Quanta Services Inc.	PWR	\$0.48	4/30/20	Miss
Tapestry Inc.	TPR	\$0.12	4/30/20	In-line
HanesBrands Inc.	HBI	\$0.22	4/30/20	Beat
Flowserve Corp	FLS	\$0.41	4/30/20	In-line
Helmerich and Payne Inc.	HP	\$0.05	4/30/20	Beat
Aon PLC	AON	\$3.67	5/1/20	Beat
Johnson Controls International PLC	JCI	\$0.41	5/1/20	Strong Miss
Exxon Mobil Corp	XOM	\$0.29	5/1/20	Miss
Chevron Corp	CVX	\$0.98	5/1/20	In-line
AbbVie Inc.	ABBV	\$2.22	5/1/20	Beat
Charter Communications Inc.	CHTR	\$2.75	5/1/20	In-line
Colgate-Palmolive Co.	CL	\$0.72	5/1/20	Beat
Estee Lauder Companies Inc.	EL	\$0.90	5/1/20	Beat
Phillips 66	PSX	\$0.92	5/1/20	Beat
Clorox Co.	CLX	\$1.55	5/1/20	Miss
Weyerhaeuser Co.	WY	\$0.13	5/1/20	Beat
DISH Network Corp	DISH	\$0.55	5/1/20	In-line
WP Carey Inc.	WPC	\$0.47	5/1/20	In-line
Cboe Global Markets Inc.	CBOE	\$1.33	5/1/20	In-line

Sources: New Constructs, LLC and company filings



**Figure 3: Earnings Distortion Scorecard: Week of 4/27/20-5/1/20 (continued)**

Company	Ticker	EPS Estimate	Expected Earnings Date	Earnings Distortion Score
Dentsply Sirona Inc.	XRAY	\$0.42	5/1/20	In-line
Newell Brands Inc.	NWL	\$0.06	5/1/20	Beat
Under Armour Inc.	UAA	-\$0.16	5/1/20	Beat
Noble Energy Inc.	NBL	-\$0.07	5/1/20	Strong Beat

Sources: New Constructs, LLC and company filings





## ***Footnotes adjustments matter. We are the ONLY source.***

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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*



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