



## Earnings Distortion Scorecard: Week of 7/20/20-7/24/20

For the week of 7/20/20-7/24/20, we focus on the [Earnings Distortion Scores](#) for 89 companies.

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.

Our proprietary measure of [earnings distortion](#) (as featured on [CNBC Squawk Box](#)) leverages proprietary data featured in [Core Earnings: New Data & Evidence](#). This paper shows that our adjusted core earnings are:

1. more accurate than “Operating Income After Depreciation” and “Income Before Special Items” from Compustat, owned by S&P Global (SPGI) and
2. remove significant bias from IBES Street Earnings from Refinitiv, owned by Blackstone (BX) and Thomson Reuters (TRI).

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

[Learn more about the best fundamental research](#)

### 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 July 20, 2020.

**Figure 1: Earnings Distortion Scorecard Highlights: Week of 7/20/20-7/24/20**

Company	Ticker	EPS Estimate	Expected Earnings Date	Earnings Distortion Score
Cadence Design Systems	CDNS	\$0.52	7/20/20	Strong Miss
Halliburton Co.	HAL	-\$0.12	7/20/20	Strong Beat
Texas Instruments Inc.	TXN	\$0.86	7/21/20	Strong Miss
Intuitive Surgical Inc.	ISRG	\$0.74	7/21/20	Strong Miss
Las Vegas Sands Corp	LVS	-\$0.69	7/22/20	Strong Miss
Align Technology Inc.	ALGN	-\$0.04	7/22/20	Strong Miss
Citrix Systems Inc.	CTXS	\$1.23	7/22/20	Strong Miss
Baker Hughes Co.	BKR	-\$0.02	7/22/20	Strong Beat
PG&E Corp	PCG	\$0.94	7/22/20	Strong Beat
Cousins Properties Inc.	CUZ	\$0.13	7/22/20	Strong Miss
Intel Corp	INTC	\$1.10	7/23/20	Strong Miss
Aaron’s Inc.	AAN	\$0.78	7/23/20	Strong Beat
Twitter Inc.	TWTR	-\$0.01	7/23/20	Strong Miss
Brunswick Corp	BC	\$0.43	7/23/20	Strong Beat
Schlumberger NV	SLB	-\$0.02	7/24/20	Strong Beat

Sources: New Constructs, LLC and company filings

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 July 20, 2020.

<sup>1</sup> Earnings Distortion scores on ~3,000 stocks are also available to clients of our website.



**Details: Cousins Properties (CUZ): Earnings Distortion Score: Strong Miss**

Over the trailing-twelve months (TTM), Cousins Properties has \$154 million in net earnings distortion that cause earnings to be overstated by \$1.10/share. Notable unusual income [hidden and reported](#) in Cousin Properties' filings include:

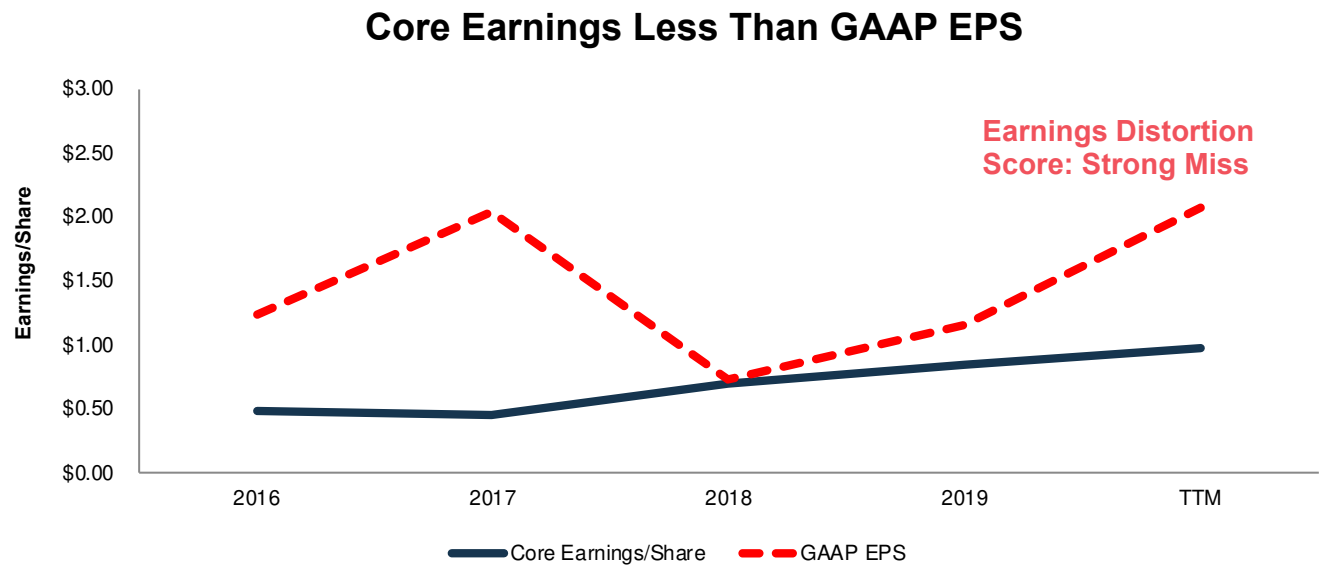
- [\\$93 million](#) gain on consolidated properties – 2019 10-K page 32
- [\\$91 million](#) gain on investment property transactions reported on the income statement – 1Q20 10-Q
- [\\$46 million](#) gain on sales of investments in unconsolidated joint ventures reported on the income statement – 1Q20 10-Q

This unusual income was partially offset by [\\$53 million](#) in transaction costs reported on the firm's 2019 income statement.

In total, we identified \$1.10/share (53% of GAAP EPS) in net unusual income that cause Cousin Properties' TTM GAAP results to be overstated. After removing this earnings distortion, Cousin Properties' TTM core earnings of \$0.97/share are less than GAAP EPS of \$2.07, per Figure 2.

With overstated earnings, Cousins Properties gets our "Strong Miss" Earnings Distortion Score and is likely to miss consensus expectations.

**Figure 2: Cousins Properties Core Earnings Vs. GAAP: 2016 - TTM**



Sources: New Constructs, LLC and company filings

Figure 1 shows that Cousin Properties is one of nine 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 8% per year." – Page 1 in [Core Earnings: New Data & Evidence](#)

In Section 5.2, 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 8% 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 [July 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 July 20 – July 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 July 20, 2020.

**Figure 3: Earnings Distortion Scorecard: Week of 7/20/20-7/24/20**

Company	Ticker	EPS Estimate	Expected Earnings Date	Earnings Distortion Score
International Business Machines	IBM	\$2.06	7/20/20	Miss
Cadence Design Systems	CDNS	\$0.52	7/20/20	Strong Miss
Equity LifeStyle Properties	ELS	\$0.24	7/20/20	In-line
Halliburton Co.	HAL	-\$0.12	7/20/20	Strong Beat
Zions Bancorporation NA	ZION	\$0.39	7/20/20	In-line
Visa Inc.	V	\$1.03	7/21/20	In-line
Coca-Cola Co.	KO	\$0.41	7/21/20	Miss
Texas Instruments Inc.	TXN	\$0.86	7/21/20	Strong Miss
Philip Morris International Inc.	PM	\$1.10	7/21/20	Beat
Lockheed Martin Corp	LMT	\$5.73	7/21/20	Miss
Prologis Inc.	PLD	\$0.46	7/21/20	In-line
Intuitive Surgical Inc.	ISRG	\$0.74	7/21/20	Strong Miss
Biogen Inc.	BIIB	\$8.02	7/21/20	Miss
Snap Inc.	SNAP	-\$0.10	7/21/20	In-line
Southern Copper Corp	SCCO	\$0.22	7/21/20	Beat
Capital One Financial Corp	COF	-\$0.84	7/21/20	In-line
Paccar Inc.	PCAR	\$0.28	7/21/20	Miss
FirstEnergy Corp	FE	\$0.56	7/21/20	In-line
TD Ameritrade Holding Corp	AMTD	\$0.74	7/21/20	In-line
Teradyne Inc.	TER	\$1.02	7/21/20	Miss
Synchrony Financial	SYF	\$0.12	7/21/20	In-line
Avangrid Inc.	AGR	\$0.34	7/21/20	Miss
Hasbro Inc.	HAS	\$0.27	7/21/20	Beat
W. R. Berkley Corp	WRB	\$0.42	7/21/20	In-line
Avery Dennison Corp	AVY	\$1.11	7/21/20	Miss
Interpublic Group of Companies	IPG	\$0.21	7/21/20	In-line
Pentair PLC	PNR	\$0.48	7/21/20	In-line
Robert Half International Inc.	RHI	\$0.37	7/21/20	In-line
Comerica Inc.	CMA	\$0.28	7/21/20	In-line
Harley-Davidson Inc.	HOG	\$0.13	7/21/20	In-line
Boeing Co.	BA	-\$2.32	7/22/20	Beat
CSX Corp	CSX	\$0.67	7/22/20	Miss
General Dynamics Corp	GD	\$2.17	7/22/20	Miss
Las Vegas Sands Corp	LVS	-\$0.69	7/22/20	Strong Miss
Sempra Energy	SRE	\$1.18	7/22/20	Miss
Chipotle Mexican Grill Inc.	CMG	\$0.06	7/22/20	Miss
Amphenol Corp	APH	\$0.62	7/22/20	In-line
TE Connectivity Ltd	TEL	\$0.40	7/22/20	Beat
Alexion Pharmaceuticals Inc.	ALXN	\$2.58	7/22/20	Miss
VF Corp	VFC	-\$0.67	7/22/20	Beat

Sources: New Constructs, LLC and company filings



Figure 3: Earnings Distortion Scorecard: Week of 7/20/20-7/24/20 (continued)

Company	Ticker	EPS Estimate	Expected Earnings Date	Earnings Distortion Score
Align Technology Inc.	ALGN	-\$0.04	7/22/20	Strong Miss
Cerner Corp	CERN	\$0.61	7/22/20	Beat
Citrix Systems Inc.	CTXS	\$1.23	7/22/20	Strong Miss
Ameriprise Financial Inc	AMP	\$3.64	7/22/20	In-line
Check Point Software Technologies	CHKP	\$1.43	7/22/20	Miss
Baker Hughes Co.	BKR	-\$0.02	7/22/20	Strong Beat
Discover Financial Services	DFS	\$0.23	7/22/20	In-line
Sun Communities Inc.	SUI	\$0.25	7/22/20	In-line
Packaging Corp of America	PKG	\$1.25	7/22/20	In-line
Whirlpool Corp	WHR	\$0.61	7/22/20	Miss
SL Green Realty Corp	SLG	\$0.17	7/22/20	In-line
Amazon.com Inc.	AMZN	\$1.34	7/23/20	In-line
Alphabet Inc.	GOOGL	\$8.11	7/23/20	In-line
Intel Corp	INTC	\$1.10	7/23/20	Strong Miss
AT&T Inc.	T	\$0.79	7/23/20	In-line
Union Pacific Corp	UNP	\$1.53	7/23/20	Miss
Air Products and Chemicals Inc.	APD	\$1.99	7/23/20	Miss
Atlassian Corporation PLC	TEAM	\$0.21	7/23/20	Beat
Edwards Lifesciences Corp	EW	\$0.17	7/23/20	In-line
American Electric Power Company	AEP	\$1.00	7/23/20	Miss
Travelers Companies Inc.	TRV	\$1.01	7/23/20	In-line
Hershey Co.	HSY	\$1.15	7/23/20	In-line
Twitter Inc.	TWTR	-\$0.01	7/23/20	Strong Miss
Rockwell Automation Inc.	ROK	\$1.12	7/23/20	Beat
Fortive Corp	FTV	\$0.57	7/23/20	Beat
Arthur J Gallagher & Co.	AJG	\$0.72	7/23/20	Miss
KKR & Co Inc.	KKR	\$0.32	7/23/20	Miss
Southwest Airlines Co.	LUV	-\$2.74	7/23/20	In-line
CMS Energy Corp	CMS	\$0.36	7/23/20	Miss
Vulcan Materials Co.	VMC	\$1.34	7/23/20	In-line
Tractor Supply Co.	TSCO	\$2.44	7/23/20	Miss
M&T Bank Corp	MTB	\$1.69	7/23/20	In-line
Pool Corp	POOL	\$3.03	7/23/20	In-line
Royal Caribbean Cruises Ltd	RCL	-\$4.65	7/23/20	Beat
Allegion PLC	ALLE	\$0.82	7/23/20	Beat
American Airlines Group Inc.	AAL	-\$7.27	7/23/20	Beat
Alaska Air Group Inc.	ALK	-\$3.81	7/23/20	In-line
Alliance Data Systems Corp	ADS	\$1.06	7/23/20	Beat
Verizon Communications Inc.	VZ	\$1.15	7/24/20	In-line
American Express Co.	AXP	\$0.05	7/24/20	In-line

Sources: New Constructs, LLC and company filings



**Figure 3: Earnings Distortion Scorecard: Week of 7/20/20-7/24/20 (continued)**

Company	Ticker	EPS Estimate	Expected Earnings Date	Earnings Distortion Score
Illinois Tool Works Inc.	ITW	\$0.67	7/24/20	Miss
Schlumberger NV	SLB	-\$0.02	7/24/20	Strong Beat
Yandex NV	YNDX	\$8.95	7/24/20	In-line
Ventas Inc.	VTR	\$0.23	7/24/20	Miss
IDEX Corp	IEX	\$0.99	7/24/20	In-line

Sources: New Constructs, LLC and company filings



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

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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*



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