



Earnings Distortion Scorecard: Week of 10/19/20-10/23/20

For the week of 10/19/20-10/23/20, we focus on the [Earnings Distortion Scores](#) for 121 companies.

Our Earnings Distortion Scores¹ 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 more accurate than “Operating Income After Depreciation” and “Income Before Special Items” from S&P Global (SPGI).

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Weekly Earnings Distortion Insights

Figure 1 contains the 15 largest (by market cap) companies that earn a “Beat”, “Miss”, or “Strong Miss” Earnings Distortion Score and are expected to report the week of October 19, 2020.

Figure 1: Earnings Distortion Scorecard Highlights: Week of 10/19/20-10/23/20

Company	Ticker	EPS Estimate	Expected Earnings Date	Earnings Distortion Score
International Business Machines	IBM	\$2.58	10/19/20	Miss
Netflix Inc.	NFLX	\$2.12	10/20/20	Miss
United Parcel Service, Inc.	UPS	\$1.85	10/20/20	Beat
NextEra Energy, Inc.	NEE	\$2.58	10/20/20	Miss
Texas Instruments, Inc.	TXN	\$1.26	10/20/20	Strong Miss
Lockheed Martin Corp	LMT	\$6.08	10/20/20	Miss
Raytheon Technologies Corp	RTX	\$0.50	10/20/20	Beat
Microsoft Corporation	MSFT	\$1.54	10/21/20	Miss
PayPal Holdings Inc	PYPL	\$0.94	10/21/20	Miss
ServiceNow Inc	NOW	\$1.03	10/21/20	Strong Miss
The Boeing Company	BA	-\$2.25	10/21/20	Beat
Intel Corporation	INTC	\$1.10	10/22/20	Miss
The Coca-Cola Company	KO	\$0.46	10/22/20	Miss
Danaher Corporation	DHR	\$1.36	10/22/20	Miss
Union Pacific Corp	UNP	\$2.02	10/22/20	Miss

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 October 19, 2020.

Details: Raytheon Technologies (RTX): Earnings Distortion Score: Beat

Over the trailing-twelve months (TTM), Raytheon Technologies has -\$5.2 billion in net earnings distortion that cause earnings to be understated by \$5.12/share or 322% of EPS. Notable unusual expenses [hidden and reported](#) in Raytheon’s filings include:

- [\\$3.2 billion](#) goodwill impairment – 2Q20 10-Q
- [\\$317 million](#) restructuring charges – 2019 10-K

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



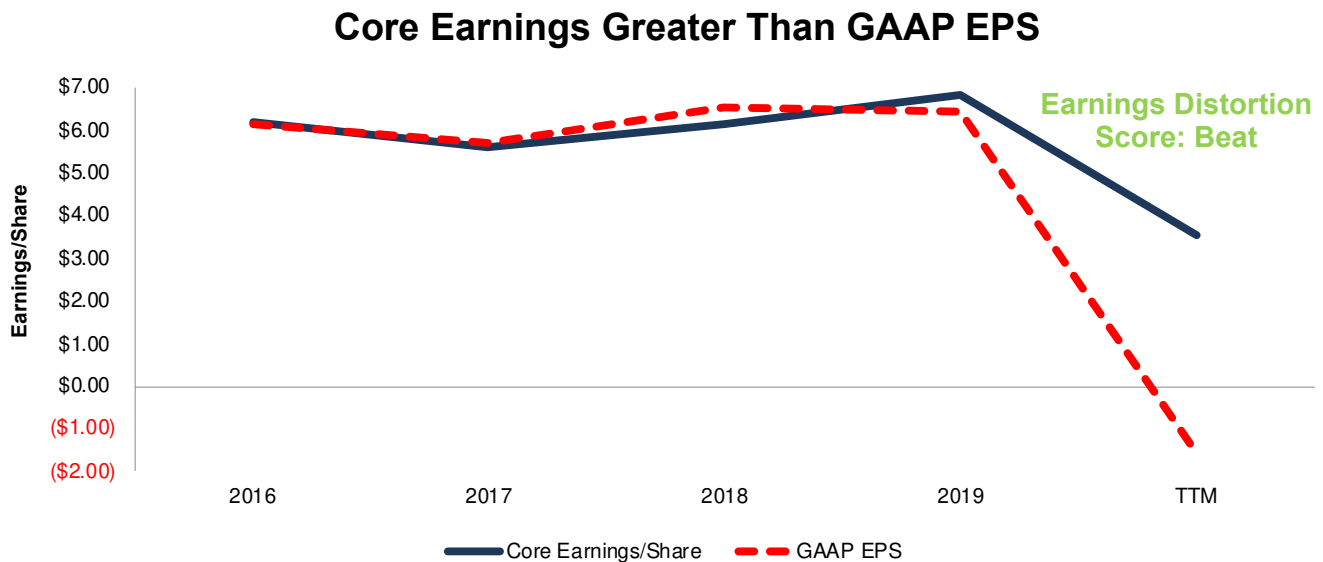
- [\\$271 million](#) related to separation transactions recorded in selling, general, and administrative costs – 1Q20 10-Q
- [\\$231 million](#) restructuring charges recorded in cost of sales – 2019 10-K
- [\\$190 million](#) restructuring charges recorded in selling, general and administrative – 2019 10-K
- [\\$40 million](#) acquisition-related costs – 2019 10-K

In addition, we made a \$768 million adjustment for income tax distortion. This adjustment normalizes reported income taxes by removing the impact of unusual items.

In total, we identified \$5.12/share (322% of GAAP EPS) in net unusual expense that cause Raytheon Technologies’ TTM GAAP results to be understated. After removing this earnings distortion, Raytheon Technologies’ TTM core earnings of \$3.53/share are much greater than GAAP EPS of -\$1.59, per Figure 2.

With understated earnings, RTX gets our “Beat” Earnings Distortion Score and is likely to beat consensus expectations. While we expect RTX to beat expectations in the short term, its bottom-quintile return on invested capital (ROIC) and negative [free cash flow yield](#) earn it an Unattractive [Risk/Reward rating](#), which focuses on the long term.

Figure 2: Raytheon Technologies Core Earnings Vs. GAAP: 2016 - TTM



Sources: New Constructs, LLC and company filings

Figure 1 shows that Raytheon Technologies is one of three companies that earn our “Beat” 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 [October 12, 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 October 19 – 23**

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 October 19, 2020.

Figure 3: Earnings Distortion Scorecard: Week of 10/19/20-10/23/20

Company	Ticker	EPS Estimate	Expected Earnings Date	Earnings Distortion Score
International Business Machines	IBM	\$2.58	10/19/20	Miss
Cadence Design Systems	CDNS	\$0.60	10/19/20	Strong Miss
TD Ameritrade Holding Corp	AMTD	\$0.90	10/19/20	In-line
Equity Lifestyle Properties	ELS	\$0.29	10/19/20	In-line
Lennox International	LII	\$3.05	10/19/20	Miss
Crown Holdings, Inc.	CCK	\$1.58	10/19/20	In-line
Halliburton Company	HAL	\$0.08	10/19/20	Strong Beat
Zions Bancorp	ZION	\$0.84	10/19/20	In-line
Procter & Gamble Co.	PG	\$1.41	10/20/20	In-line
Netflix Inc.	NFLX	\$2.12	10/20/20	Miss
United Parcel Service, Inc.	UPS	\$1.85	10/20/20	Beat
NextEra Energy	NEE	\$2.58	10/20/20	Miss
Texas Instruments, Inc.	TXN	\$1.26	10/20/20	Strong Miss
Philip Morris International	PM	\$1.34	10/20/20	In-line
Lockheed Martin Corp	LMT	\$6.08	10/20/20	Miss
Raytheon Technologies Corp	RTX	\$0.50	10/20/20	Beat
Prologis Inc.	PLD	\$0.32	10/20/20	In-line
Biogen, Inc.	BIIB	\$8.21	10/20/20	Miss
Snap Inc.	SNAP	-\$0.05	10/20/20	Beat
PACCAR Inc.	PCAR	\$0.93	10/20/20	Miss
The Travelers Companies	TRV	\$3.26	10/20/20	In-line
Avangrid Inc.	AGR	\$0.41	10/20/20	Miss
TransUnion	TRU	\$0.75	10/20/20	In-line
Synchrony Financial	SYF	\$0.59	10/20/20	In-line
Teradyne Inc.	TER	\$1.12	10/20/20	Beat
Monolithic Power Systems	MPWR	\$1.68	10/20/20	In-line
Regions Financial Corp	RF	\$0.32	10/20/20	In-line
W.R. Berkley Corp	WRB	\$0.76	10/20/20	In-line
Pentair, PLC	PNR	\$0.50	10/20/20	Beat
Comerica Inc.	CMA	\$0.81	10/20/20	In-line
Microsoft Corporation	MSFT	\$1.54	10/21/20	Miss
Tesla Inc	TSLA	\$0.55	10/21/20	In-line
Verizon Communications	VZ	\$1.21	10/21/20	In-line
PayPal Holdings Inc	PYPL	\$0.94	10/21/20	Miss
Abbott Laboratories	ABT	\$0.89	10/21/20	In-line
Thermo Fisher Scientific	TMO	\$4.29	10/21/20	In-line
ServiceNow Inc	NOW	\$1.03	10/21/20	Strong Miss
The Boeing Company	BA	-\$2.25	10/21/20	Beat
CSX Corporation	CSX	\$0.91	10/21/20	Miss
Lam Research Corp	LRCX	\$5.19	10/21/20	In-line

Sources: New Constructs, LLC and company filings

**Figure 3: Earnings Distortion Scorecard: Week of 10/19/20-10/23/20 (continued)**

Company	Ticker	EPS Estimate	Expected Earnings Date	Earnings Distortion Score
Edwards Lifesciences Corp	EW	\$0.44	10/21/20	Strong Beat
General Dynamics Corp	GD	\$2.86	10/21/20	Miss
Las Vegas Sands Corp	LVS	-\$0.57	10/21/20	In-line
Southern Copper Corp	SCCO	\$0.47	10/21/20	Beat
Chipotle Mexican Grill, Inc.	CMG	\$0.06	10/21/20	Miss
eBay Inc.	EBAY	\$0.86	10/21/20	Strong Miss
Amphenol Corporation	APH	\$0.87	10/21/20	In-line
Alexion Pharmaceuticals	ALXN	\$2.49	10/21/20	Strong Beat
Xilinx Inc.	XLNX	\$0.73	10/21/20	In-line
Align Technology, Inc.	ALGN	\$0.54	10/21/20	Strong Miss
Hilton Worldwide Holdings	HLT	-\$0.01	10/21/20	Beat
Nasdaq, Inc.	NDAQ	\$1.44	10/21/20	In-line
Ameriprise Financial, Inc.	AMP	\$3.40	10/21/20	Miss
Equifax Inc.	EFX	\$1.59	10/21/20	Miss
Discover Financial Services	DFS	\$1.29	10/21/20	In-line
Varian Medical Systems, Inc.	VAR	\$1.02	10/21/20	Beat
Sun Communities, Inc.	SUI	\$0.57	10/21/20	In-line
BioMarin Pharmaceutical	BMRN	\$1.33	10/21/20	Strong Miss
Baker Hughes	BKR	\$0.04	10/21/20	Strong Beat
KeyCorp	KEY	\$0.34	10/21/20	In-line
Fortune Brands Home & Security	FBHS	\$1.04	10/21/20	Beat
Whirlpool Corporation	WHR	\$3.74	10/21/20	Miss
Teledyne Technologies, Inc.	TDY	\$2.35	10/21/20	In-line
ICON, PLC	ICLR	\$1.53	10/21/20	Beat
Avery Dennison Corp	AVY	\$1.50	10/21/20	In-line
Graco Inc.	GGG	\$0.41	10/21/20	Beat
Raymond James Financial, Inc.	RJF	\$1.28	10/21/20	In-line
Globe Life Inc.	GL	\$1.74	10/21/20	In-line
F5 Networks Inc	FFIV	\$2.37	10/21/20	In-line
Interpublic Group of Companies	IPG	\$0.32	10/21/20	Beat
Robert Half International, Inc.	RHI	\$0.58	10/21/20	In-line
Invesco, Ltd.	IVZ	\$0.45	10/21/20	Beat
SL Green Realty Corp	SLG	-\$0.22	10/21/20	In-line
TechnipFMC	FTI	\$0.21	10/21/20	Strong Beat
Visa Inc.	V	\$1.10	10/22/20	In-line
Intel Corporation	INTC	\$1.10	10/22/20	Miss
The Coca-Cola Company	KO	\$0.46	10/22/20	Miss
AT&T Inc.	T	\$0.76	10/22/20	In-line
Danaher Corporation	DHR	\$1.36	10/22/20	Miss
Union Pacific Corp	UNP	\$2.02	10/22/20	Miss
Gilead Sciences, Inc.	GILD	\$1.94	10/22/20	Beat
Northrop Grumman Corp	NOC	\$5.64	10/22/20	Beat
Kimberly-Clark Corp	KMB	\$1.74	10/22/20	In-line

Sources: New Constructs, LLC and company filings

**Figure 3: Earnings Distortion Scorecard: Week of 10/19/20-10/23/20 (continued)**

Company	Ticker	EPS Estimate	Expected Earnings Date	Earnings Distortion Score
American Electric Power	AEP	\$1.45	10/22/20	Miss
Xcel Energy, Inc.	XEL	\$1.09	10/22/20	Miss
Dow Inc.	DOW	\$0.34	10/22/20	Strong Beat
Capital One Financial Corp	COF	\$1.68	10/22/20	In-line
T. Rowe Price Group, Inc.	TROW	\$2.35	10/22/20	In-line
Fortive Corporation	FTV	\$0.85	10/22/20	Beat
ResMed Inc.	RMD	\$0.99	10/22/20	Miss
Sirius XM Holdings	SIRI	\$0.05	10/22/20	In-line
VeriSign Inc.	VRSN	\$1.25	10/22/20	Strong Miss
Freeport-McMoRan Inc.	FCX	\$0.18	10/22/20	Beat
Southwest Airlines Company	LUV	-\$2.38	10/22/20	In-line
Cerner Corporation	CERN	\$0.71	10/22/20	In-line
West Pharmaceutical Services	WST	\$1.00	10/22/20	Miss
Arthur J. Gallagher & Company	AJG	\$0.90	10/22/20	Miss
W.W. Grainger, Inc.	GWV	\$4.15	10/22/20	Strong Beat
Valero Energy Corp	VLO	-\$1.08	10/22/20	Miss
Check Point Software Technologies	CHKP	\$1.53	10/22/20	Miss
Tractor Supply Company	TSCO	\$1.32	10/22/20	In-line
Citrix Systems, Inc.	CTXS	\$1.24	10/22/20	Strong Miss
Quest Diagnostics, Inc.	DGX	\$3.68	10/22/20	Miss
Nucor Corporation	NUE	\$0.51	10/22/20	Beat
Genuine Parts Company	GPC	\$1.38	10/22/20	Strong Beat
SVB Financial Group	SIVB	\$4.57	10/22/20	In-line
M&T Bank Corp	MTB	\$2.52	10/22/20	In-line
PulteGroup Inc.	PHM	\$1.11	10/22/20	In-line
Eastman Chemical Company	EMN	\$1.34	10/22/20	Beat
Entegris Inc.	ENTG	\$0.63	10/22/20	In-line
Erie Indemnity Company	ERIE	\$1.50	10/22/20	In-line
Huntington Bancshares, Inc.	HBAN	\$0.21	10/22/20	In-line
Universal Health Services, Inc.	UHS	\$1.93	10/22/20	In-line
Allegion, PLC	ALLE	\$1.17	10/22/20	Beat
American Airlines Group	AAL	-\$5.82	10/22/20	In-line
Alaska Air Group, Inc.	ALK	-\$3.11	10/22/20	Beat
American Express Company	AXP	\$1.28	10/23/20	In-line
Illinois Tool Works, Inc.	ITW	\$1.43	10/23/20	Miss
Yandex N.V.	YNDX	\$0.26	10/23/20	Beat
Ventas Inc.	VTR	\$0.08	10/23/20	Miss
Franklin Resources Inc.	BEN	\$0.63	10/23/20	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:

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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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