



Earnings Distortion Scorecard: Week of 10/26/20-10/30/20

For the week of 10/26/20-10/30/20, we focus on the [Earnings Distortion Scores](#) for 203 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).

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 October 26, 2020.

Figure 1: Earnings Distortion Scorecard Highlights: Week of 10/26/20-10/30/20

Company	Ticker	EPS Estimate	Expected Earnings Date	Earnings Distortion Score
Pfizer Inc.	PFE	\$0.71	10/27/20	Strong Miss
Eli Lilly & Company	LLY	\$1.71	10/27/20	Strong Miss
Roper Technologies, Inc.	ROP	\$3.03	10/27/20	Strong Miss
Ecolab Inc.	ECL	\$1.13	10/27/20	Strong Beat
Boston Scientific Corp	BSX	\$0.25	10/28/20	Strong Miss
TE Connectivity Ltd	TEL	\$0.84	10/28/20	Strong Beat
Apple Inc.	AAPL	\$0.70	10/29/20	Strong Miss
Newmont Goldcorp Corp	NEM	\$0.84	10/29/20	Strong Miss
Digital Realty Trust, Inc.	DLR	\$0.23	10/29/20	Strong Miss
Aptiv, PLC	APTV	\$0.70	10/29/20	Strong Miss
AMETEK Inc.	AME	\$0.93	10/29/20	Strong Miss
Alibaba Group Holding Ltd	BABA	\$2.18	10/30/20	Strong Miss
Altria Group, Inc.	MO	\$1.14	10/30/20	Strong Beat
Phillips 66	PSX	-\$0.37	10/30/20	Strong Beat
Twitter, Inc.	TWTR	\$0.05	10/29/20	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 October 26, 2020.

Details: Ecolab Inc. (ECL): Earnings Distortion Score: Strong Beat

Over the trailing-twelve months (TTM), Ecolab has -\$2.3 billion in net earnings distortion that cause earnings to be understated by -\$7.90/share or 269% of EPS. Notable unusual expenses [hidden and reported](#) in Ecolab’s filings include:

- [\\$2.2 billion](#) loss from discontinued operations reported on the income statement – 2Q20 10-Q
- [\\$212 million](#) in special charges reported on the income statement – 2019 10-K
- [\\$20 million](#) in restructuring activities – Page 66 2019 10-K

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



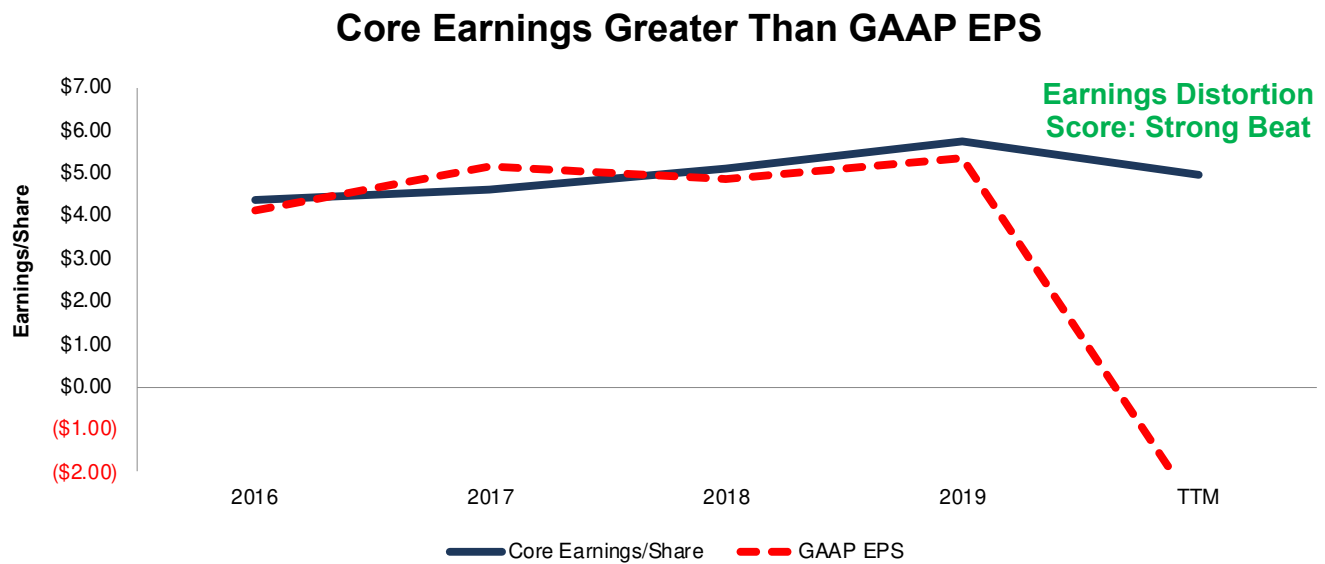
- [\\$11 million](#) in other special charges – Page 66 2019 10-K
- [\\$8 million](#) in acquisition and integration activities – Page 66 2019 10-K

In addition, we made a \$107 million adjustment for income tax distortion. This adjustment normalizes reported income taxes by removing the impact of unusual items.

In total, we identified -\$7.90/share (269% of GAAP EPS) in net unusual expense that cause Ecolab’s TTM GAAP results to be understated. After removing this earnings distortion, Ecolab’s TTM core earnings of \$4.96/share are much greater than GAAP EPS of -\$2.93, per Figure 2.

With understated earnings, ECL gets our “Strong Beat” Earnings Distortion Score and is likely to beat consensus expectations. While we expect ECL to beat expectations in the short term, its third-quintile return on invested capital (ROIC) and expensive valuation earn it an Unattractive Risk/Reward rating, which focuses on the long term.

Figure 2: Ecolab Core Earnings Vs. GAAP: 2016 - TTM



Sources: New Constructs, LLC and company filings

Figure 1 shows that Ecolab is one of five companies that earn our “Strong 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 19, 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 October 26 – 30**

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 26, 2020.

Figure 3: Earnings Distortion Scorecard: Week of 10/26/20-10/30/20

Company	Ticker	EPS Estimate	Expected Earnings Date	Earnings Distortion Score
National-Oilwell Varco, Inc.	NOV	-\$0.10	10/26/20	Strong Beat
Beyond Meat Inc.	BYND	\$0.05	10/26/20	Beat
Cincinnati Financial Corp	CINF	\$0.74	10/26/20	Beat
Ingersoll Rand Inc.	IR	\$0.30	10/26/20	Beat
ON Semiconductor Corp	ON	\$0.20	10/26/20	Beat
Packaging Corporation	PKG	\$1.41	10/26/20	Beat
Twilio Inc.	TWLO	-\$0.03	10/26/20	Beat
Brown & Brown, Inc.	BRO	\$0.43	10/26/20	In-line
Hasbro Inc.	HAS	\$1.59	10/26/20	In-line
Principal Financial Group, Inc.	PFG	\$1.39	10/26/20	In-line
T-Mobile U.S.	TMUS	\$0.43	10/26/20	In-line
Alexandria Real Estate Equities	ARE	\$0.57	10/26/20	Miss
Chegg Inc.	CHGG	\$0.10	10/26/20	Miss
HCA Healthcare Inc	HCA	\$2.32	10/26/20	Miss
NXP Semiconductors N.V.	NXPI	\$1.51	10/26/20	Miss
Welltower, Inc.	WELL	\$0.16	10/26/20	Strong Miss
Ecolab Inc.	ECL	\$1.13	10/27/20	Strong Beat
Advanced Micro Devices, Inc.	AMD	\$0.35	10/27/20	Beat
Corning Inc.	GLW	\$0.35	10/27/20	Beat
IPG Photonics Corp	IPGP	\$0.88	10/27/20	Beat
Laboratory Corp of America	LH	\$5.14	10/27/20	Beat
ONEOK Inc.	OKE	\$0.58	10/27/20	Beat
Sherwin-Williams Company	SHW	\$7.69	10/27/20	Beat
Stanley Black & Decker, Inc.	SWK	\$2.66	10/27/20	Beat
AFLAC Inc.	AFL	\$1.13	10/27/20	In-line
Akamai Technologies, Inc.	AKAM	\$1.23	10/27/20	In-line
Caterpillar Inc.	CAT	\$1.12	10/27/20	In-line
Chubb Limited	CB	\$2.30	10/27/20	In-line
C.H. Robinson Worldwide	CHRW	\$0.97	10/27/20	In-line
Cummins Inc.	CMI	\$2.33	10/27/20	In-line
Centene Corp	CNC	\$0.95	10/27/20	In-line
Eaton Corporation	ETN	\$1.04	10/27/20	In-line
Fiserv Inc.	FISV	\$1.16	10/27/20	In-line
Incyte Corporation	INCY	\$0.74	10/27/20	In-line
Juniper Networks Inc.	JNPR	\$0.43	10/27/20	In-line
Markel Corporation	MKL	\$7.10	10/27/20	In-line
Merck & Co., Inc.	MRK	\$1.43	10/27/20	In-line
MSCI Inc.	MSCI	\$1.80	10/27/20	In-line
Maxim Integrated Products	MXIM	\$0.58	10/27/20	In-line
Old Dominion Freight Line	ODFL	\$1.52	10/27/20	In-line

Sources: New Constructs, LLC and company filings

**Figure 3: Earnings Distortion Scorecard: Week of 10/26/20-10/30/20 (continued)**

Company	Ticker	EPS Estimate	Expected Earnings Date	Earnings Distortion Score
Paycom Software Inc.	PAYC	\$0.55	10/27/20	In-line
The Boston Beer Company	SAM	\$4.50	10/27/20	In-line
UNUM Group	UNM	\$1.32	10/27/20	In-line
Waters Corporation	WAT	\$1.93	10/27/20	In-line
CoStar Group Inc.	CSGP	\$2.07	10/27/20	Miss
Edison International	EIX	\$1.49	10/27/20	Miss
KKR & Co Inc.	KKR	\$0.38	10/27/20	Miss
Masimo Corporation	MASI	\$0.62	10/27/20	Miss
Mondelez International, Inc.	MDLZ	\$0.62	10/27/20	Miss
3M Company	MMM	\$2.25	10/27/20	Miss
S&P Global Inc.	SPGI	\$2.56	10/27/20	Miss
Boston Properties, Inc.	BXP	\$0.53	10/27/20	Strong Miss
Equity Residential	EQR	\$0.35	10/27/20	Strong Miss
Eli Lilly & Company	LLY	\$1.71	10/27/20	Strong Miss
Pfizer Inc.	PFE	\$0.71	10/27/20	Strong Miss
Roper Technologies, Inc.	ROP	\$3.03	10/27/20	Strong Miss
Bio-Techne Corp	TECH	\$1.09	10/27/20	Strong Miss
Xerox Corporation	XRX	\$0.24	10/27/20	Strong Miss
Apache Corporation	APA	-\$0.38	10/28/20	Strong Beat
Concho Resources, Inc.	CXO	\$1.11	10/28/20	Strong Beat
Hess Corporation	HES	-\$0.55	10/28/20	Strong Beat
TE Connectivity Ltd	TEL	\$0.84	10/28/20	Strong Beat
Cognizant Technology Solutions	CTSH	\$0.90	10/28/20	Beat
General Electric Company	GE	-\$0.04	10/28/20	Beat
Motorola Solutions, Inc.	MSI	\$1.76	10/28/20	Beat
PerkinElmer Inc.	PKI	\$1.45	10/28/20	Beat
PTC Inc.	PTC	\$0.55	10/28/20	Beat
Quidel Corporation	QDEL	\$4.75	10/28/20	Beat
Royal Caribbean Cruises Ltd	RCL	-\$5.17	10/28/20	Beat
Rollins Inc.	ROL	\$0.24	10/28/20	Beat
Sealed Air Corp	SEE	\$0.66	10/28/20	Beat
Western Digital Corp	WDC	\$0.54	10/28/20	Beat
Automatic Data Processing, Inc.	ADP	\$0.98	10/28/20	In-line
Anthem, Inc.	ANTM	\$4.13	10/28/20	In-line
American Water Works	AWK	\$1.36	10/28/20	In-line
CME Group, Inc.	CME	\$1.42	10/28/20	In-line
Enterprise Products Partners	EPD	\$0.48	10/28/20	In-line
Equinix Inc.	EQIX	\$1.66	10/28/20	In-line
Flowserve Corporation	FLS	\$0.44	10/28/20	In-line
IDEX Corporation	IEX	\$1.19	10/28/20	In-line
MarketAxess Holdings Inc.	MKTX	\$1.74	10/28/20	In-line
Molina Healthcare, Inc.	MOH	\$2.16	10/28/20	In-line
Annaly Capital Management	NLY	\$0.26	10/28/20	In-line

Sources: New Constructs, LLC and company filings

**Figure 3: Earnings Distortion Scorecard: Week of 10/26/20-10/30/20 (continued)**

Company	Ticker	EPS Estimate	Expected Earnings Date	Earnings Distortion Score
Norfolk Southern Corp	NSC	\$2.35	10/28/20	In-line
Paylocity Holding Corp	PCTY	\$0.15	10/28/20	In-line
SS&C Technologies Holdings	SSNC	\$0.98	10/28/20	In-line
Teladoc Health Inc.	TDOC	-\$0.32	10/28/20	In-line
Trane Technologies	TT	\$1.34	10/28/20	In-line
Tradeweb Markets Inc.	TW	\$0.29	10/28/20	In-line
United Rentals, Inc.	URI	\$4.27	10/28/20	In-line
Yum China Holdings, Inc.	YUMC	\$0.49	10/28/20	In-line
Amgen Inc.	AMGN	\$3.80	10/28/20	Miss
AvalonBay Communities, Inc.	AVB	\$0.93	10/28/20	Miss
Duke Realty Corp	DRE	\$0.14	10/28/20	Miss
Entergy Corporation	ETR	\$2.40	10/28/20	Miss
Etsy Inc.	ETSY	\$0.58	10/28/20	Miss
Ford Motor Company	F	\$0.14	10/28/20	Miss
Invitation Homes Inc.	INVH	\$0.04	10/28/20	Miss
Mastercard Inc	MA	\$1.66	10/28/20	Miss
Mid-America Apartment Communities	MAA	\$0.49	10/28/20	Miss
O'Reilly Automotive, Inc.	ORLY	\$6.16	10/28/20	Miss
Vertex Pharmaceuticals, Inc.	VRTX	\$2.29	10/28/20	Miss
Boston Scientific Corp	BSX	\$0.25	10/28/20	Strong Miss
Cognex Corporation	CGNX	\$0.31	10/28/20	Strong Miss
Essex Property Trust, Inc.	ESS	\$1.07	10/28/20	Strong Miss
Garmin, Ltd.	GRMN	\$0.99	10/28/20	Strong Miss
Masco Corporation	MAS	\$0.77	10/28/20	Strong Miss
MGM Resorts International	MGM	-\$1.04	10/28/20	Strong Miss
Trimble Inc.	TRMB	\$0.42	10/28/20	Strong Miss
Tyler Technologies, Inc.	TYL	\$1.33	10/28/20	Strong Miss
Zynga Inc.	ZNGA	\$0.09	10/28/20	Strong Miss
Twitter, Inc.	TWTR	\$0.05	10/29/20	Strong Beat
Abiomed Inc.	ABMD	\$0.92	10/29/20	Beat
Apollo Gbl Management LLC	APO	\$0.48	10/29/20	Beat
Baxter International, Inc.	BAX	\$0.73	10/29/20	Beat
Dupont De Nemours Inc.	DD	\$0.74	10/29/20	Beat
Facebook Inc.	FB	\$1.89	10/29/20	Beat
Global Payments, Inc.	GPN	\$1.65	10/29/20	Beat
Hanesbrands Inc.	HBI	\$0.37	10/29/20	Beat
International Paper Company	IP	\$0.49	10/29/20	Beat
Kellogg Company	K	\$0.86	10/29/20	Beat
The Kraft Heinz Co.	KHC	\$0.62	10/29/20	Beat
Live Nation Entertainment Inc	LYV	-\$2.22	10/29/20	Beat
Spotify Technology S.A.	SPOT	-\$0.61	10/29/20	Beat
Molson Coors Brewing Co	TAP	\$1.02	10/29/20	Beat
Xylem Inc.	XYL	\$0.50	10/29/20	Beat

Sources: New Constructs, LLC and company filings

**Figure 3: Earnings Distortion Scorecard: Week of 10/26/20-10/30/20 (continued)**

Company	Ticker	EPS Estimate	Expected Earnings Date	Earnings Distortion Score
Zendesk, Inc.	ZEN	\$0.11	10/29/20	Beat
Archer Daniels Midland Company	ADM	\$0.69	10/29/20	In-line
American Tower Corp	AMT	\$1.09	10/29/20	In-line
Amazon.com Inc.	AMZN	\$7.25	10/29/20	In-line
A.O. Smith Corp	AOS	\$0.50	10/29/20	In-line
Altice USA Inc.	ATUS	\$0.23	10/29/20	In-line
BorgWarner Inc.	BWA	\$0.71	10/29/20	In-line
CDW Corporation	CDW	\$1.50	10/29/20	In-line
Comcast Corporation	CMCSA	\$0.50	10/29/20	In-line
Fidelity National Information	FIS	\$1.41	10/29/20	In-line
Generac Holdings Inc.	GNRC	\$1.65	10/29/20	In-line
Alphabet, Inc.	GOOGL	\$11.18	10/29/20	In-line
Hartford Financial Services Group	HIG	\$0.95	10/29/20	In-line
Intercontinental Exchange Inc.	ICE	\$0.99	10/29/20	In-line
IDEXX Laboratories, Inc.	IDXX	\$1.42	10/29/20	In-line
Illumina Inc.	ILMN	\$0.77	10/29/20	In-line
Iron Mountain, Inc.	IRM	\$0.25	10/29/20	In-line
Gartner Inc.	IT	\$0.53	10/29/20	In-line
LKQ Corp	LKQ	\$0.51	10/29/20	In-line
Moody's Corporation	MCO	\$2.04	10/29/20	In-line
Martin Marietta Materials, Inc.	MLM	\$3.75	10/29/20	In-line
Marsh & McLennan Companies	MMC	\$0.72	10/29/20	In-line
Pinterest Inc.	PINS	\$0.02	10/29/20	In-line
Quanta Services, Inc.	PWR	\$1.09	10/29/20	In-line
Everest Re Group, Ltd.	RE	\$0.95	10/29/20	In-line
Starbucks Corporation	SBUX	\$0.30	10/29/20	In-line
Shopify Inc.	SHOP	\$0.48	10/29/20	In-line
The Southern Company	SO	\$1.23	10/29/20	In-line
Stryker Corporation	SYK	\$1.40	10/29/20	In-line
Westinghouse Air Brake Technologies	WAB	\$0.91	10/29/20	In-line
Willis Towers Watson	WLTW	\$1.32	10/29/20	In-line
Western Union	WU	\$0.46	10/29/20	In-line
Activision Blizzard Inc.	ATVI	\$0.64	10/29/20	Miss
CBRE Group Inc.	CBRE	\$0.42	10/29/20	Miss
Church & Dwight Co, Inc.	CHD	\$0.67	10/29/20	Miss
CMS Energy Corp	CMS	\$0.67	10/29/20	Miss
Cabot Oil & Gas Corp	COG	\$0.07	10/29/20	Miss
ConocoPhillips	COP	-\$0.29	10/29/20	Miss
EXACT Sciences Corp	EXAS	-\$0.52	10/29/20	Miss
Exelon Corp	EXC	\$0.84	10/29/20	Miss
Fortinet Inc.	FTNT	\$0.78	10/29/20	Miss
Mohawk Industries, Inc.	MHK	\$2.08	10/29/20	Miss
UDR Inc.	UDR	\$0.50	10/29/20	Miss

Sources: New Constructs, LLC and company filings

**Figure 3: Earnings Distortion Scorecard: Week of 10/26/20-10/30/20 (continued)**

Company	Ticker	EPS Estimate	Expected Earnings Date	Earnings Distortion Score
YUM! Brands, Inc.	YUM	\$0.80	10/29/20	Miss
Apple Inc.	AAPL	\$0.70	10/29/20	Strong Miss
Apartment Investment and Management	AIV	-\$0.01	10/29/20	Strong Miss
Alnylam Pharmaceuticals, Inc.	ALNY	-\$1.66	10/29/20	Strong Miss
AMETEK Inc.	AME	\$0.93	10/29/20	Strong Miss
Aptiv, PLC	APTV	\$0.70	10/29/20	Strong Miss
Bio-Rad Laboratories, Inc.	BIO	\$1.80	10/29/20	Strong Miss
Digital Realty Trust, Inc.	DLR	\$0.23	10/29/20	Strong Miss
Newmont Goldcorp Corp	NEM	\$0.84	10/29/20	Strong Miss
NovoCure Ltd	NVCR	\$0.05	10/29/20	Strong Miss
Teleflex Inc.	TFX	\$2.24	10/29/20	Strong Miss
Altria Group, Inc.	MO	\$1.14	10/30/20	Strong Beat
Newell Brands Inc.	NWL	\$0.42	10/30/20	Strong Beat
Phillips 66	PSX	-\$0.37	10/30/20	Strong Beat
AbbVie, Inc.	ABBV	\$2.76	10/30/20	Beat
American International Group	AIG	\$0.75	10/30/20	Beat
Aon, PLC	AON	\$1.49	10/30/20	Beat
Dominion Energy, Inc.	D	\$0.98	10/30/20	Beat
L3harris Technologies Inc.	LHX	\$2.73	10/30/20	Beat
Seagate Technology, PLC	STX	\$0.88	10/30/20	Beat
Cboe Global Markets, Inc.	CBOE	\$1.07	10/30/20	In-line
Charter Communications	CHTR	\$3.04	10/30/20	In-line
Colgate-Palmolive Company	CL	-\$0.08	10/30/20	In-line
Chevron Corporation	CVX	-\$0.19	10/30/20	In-line
Liberty Broadband Corp	LBRDK	\$0.60	10/30/20	In-line
Cheniere Energy, Inc.	LNG	-\$0.20	10/30/20	In-line
LyondellBasell Industries NV	LYB	\$1.15	10/30/20	In-line
W P Carey Inc.	WPC	\$0.45	10/30/20	In-line
Weyerhaeuser Company	WY	\$0.44	10/30/20	In-line
Exxon Mobil Corp	XOM	-\$0.17	10/30/20	In-line
Booz Allen Hamilton Holding Corp	BAH	\$0.92	10/30/20	Miss
Public Service Enterprise Group	PEG	\$0.96	10/30/20	Miss
Pinnacle West Capital Corp	PNW	\$2.69	10/30/20	Miss
Alibaba Group Holding Ltd	BABA	\$2.18	10/30/20	Strong Miss

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



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