



## New Product: Credit Ratings & Research for 2,750+ Companies

All members can now access our Credit Ratings and research for all companies under coverage.

Our credit ratings are different than ratings from traditional credit research firms because we use our [Adjusted Fundamentals](#) instead of unscrubbed data, which is [proven to be incomplete](#) and less reliable by [The Journal of Financial Economics](#).

Our Overall Credit Ratings are based on five fixed income ratios. We use a 1 to 5 rating scale for each ratio, with 1 as the best (Very Attractive) and 5 as the worst (Very Unattractive). Figure 1 is a generic sample of our Credit Rating table. Details on our Credit Rating methodology are [here](#).

Figure 1: Credit Ratings Table

Overall Credit Rating	Leverage		Liquidity		Coverage		Rating Score
	Debt To Capital	EBITDA to Debt	Free Cash Flow (3 yr Avg.) to Debt		Cash to Debt	Interest Coverage	
Very Unattractive	> 0.40	< 0.21	< 0.24	< 0.24	< 0.06	< 1.54	5
Unattractive	0.40 > 0.33	0.21 < 0.28	0.24 < 0.33	0.24 < 0.33	0.06 < 0.10	1.54 < 2.54	4
Neutral	0.33 > 0.20	0.28 < 0.50	0.33 < 0.60	0.33 < 0.60	0.10 < 0.25	2.54 < 5.65 or EBIT < 0	3
Attractive	0.20 > 0.15	0.50 < 0.68	0.60 < 0.80	0.60 < 0.80	0.25 < 0.42	5.65 < 8.56	2
Very Attractive	< 0.15	> 0.68	> 0.80	> 0.80	> 0.42	> 8.56 or EBIT >= 0	1

Sources: New Constructs, LLC

Members can get our Credit Ratings on the Portfolios, Ratings, and Screeners pages.

**Portfolios page:** expand the rating details in the first column of any stock in your Portfolio, and then click the "Switch to Credit Rating" button. See image below.

Figure 2: Credit Rating for All Stocks in Your Portfolio

Portfolio: My Portfolio (default)

Enter tickers here.

Add

Gold Membership: 1 Portfolio, 25 Tickers

Adds/Changes Available: 24, Resets to 25 on 02/03/21

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Ticker	Name	Type	Sector / Style	Mkt Val / AUM <sup>1</sup>	Div Yield	Risk/Reward Rating ▲	ROIC	FCF Yield	Price to EBV	GAP	Analyst Notes <sup>2</sup>	Earnings Distortion Score <sup>3</sup>
AAON	AAON Inc.	Stock	Industrials	\$3,426	0.6%	Neutral	24%	1%	2.4	> 100	Nov 09, 2020	In-Line

Stock Ratings Methodology

**AAON Inc. (AAON)**  
Closing Price: \$65.57 (Nov 10, 2020)  
Market Value: \$3.4 Billion  
Dividend Yield: 0.6%  
Sector: Industrials

Earnings Distortion Score: In-Line

Analyst Notes: New 10-Q & Forecast 11/9/20

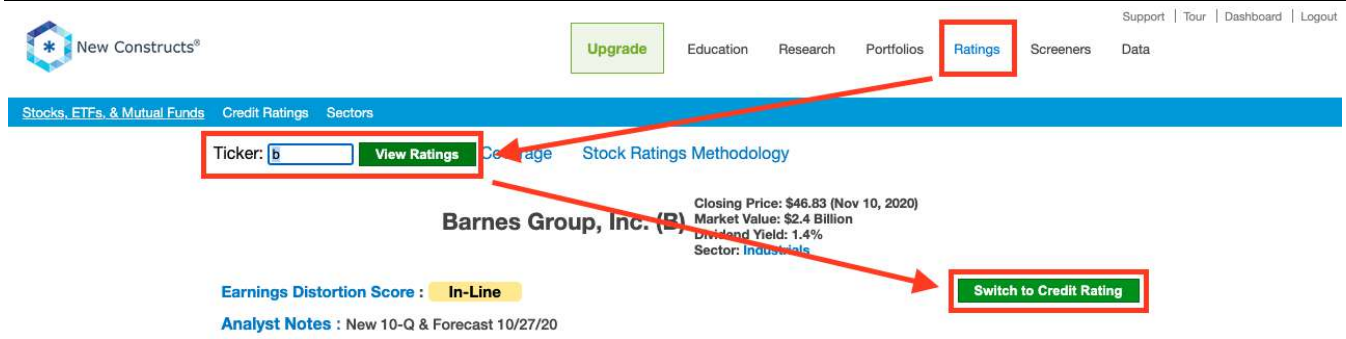
Switch to Credit Rating

Sources: New Constructs, LLC



**Ratings Page:** enter any stock ticker and click the “Switch to Credit Rating” button to view the Credit Rating. See Figure 3.

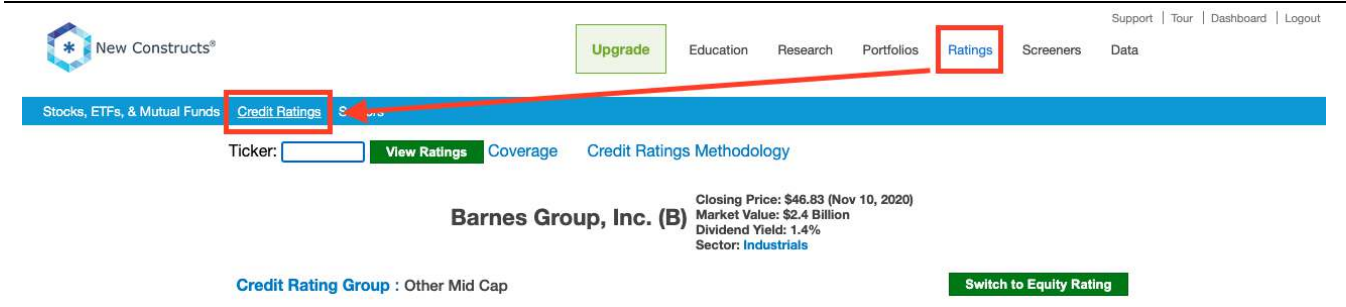
**Figure 3: Credit Ratings on the Ratings Page**



Sources: New Constructs, LLC

You can also click “Credit Ratings” from the blue menu bar, enter a ticker and get our Credit Rating. See Figure 4.

**Figure 4: Credit Ratings on the Ratings Page Menu Bar**



Sources: New Constructs, LLC

**Stock Screeners page:** click the button in the Details column and then the “Switch to Credit Rating” button to view the Credit Rating. See Figure 5.



**Figure 5: Credit Ratings on the Screeners Page**

Select criteria:

Price <sup>?</sup>

Dividend Yield <sup>?</sup>  %

Sector

Market Value <sup>?</sup>  MM

Index  US 500  US 2000  US 1000  US 3000

> More Filter

Details	Ticker	Name	Sector	Price <sup>1</sup>	Mkt Val <sup>2</sup>	Div Yield	Risk/Reward Rating ▲	ROIC	FCF Yield	Price to EBV	GAP	Analyst Notes Updated <sup>3</sup>	Add To Portfolio + Add All
	CFFI	C&F Financial Corp	Financials	\$35.78	\$131	4.2%	Very Attractive					Nov 05, 2020	

[Stock Ratings Methodology](#)

**C&F Financial Corp (CFFI)**

Closing Price: \$35.78 (Nov 10, 2020)  
Market Value: \$131 Million  
Dividend Yield: 4.2%  
Sector: Financials

Earnings Distortion Score: In-Line Switch to Credit Rating

Sources: New Constructs, LLC

### More Credit Rating Research

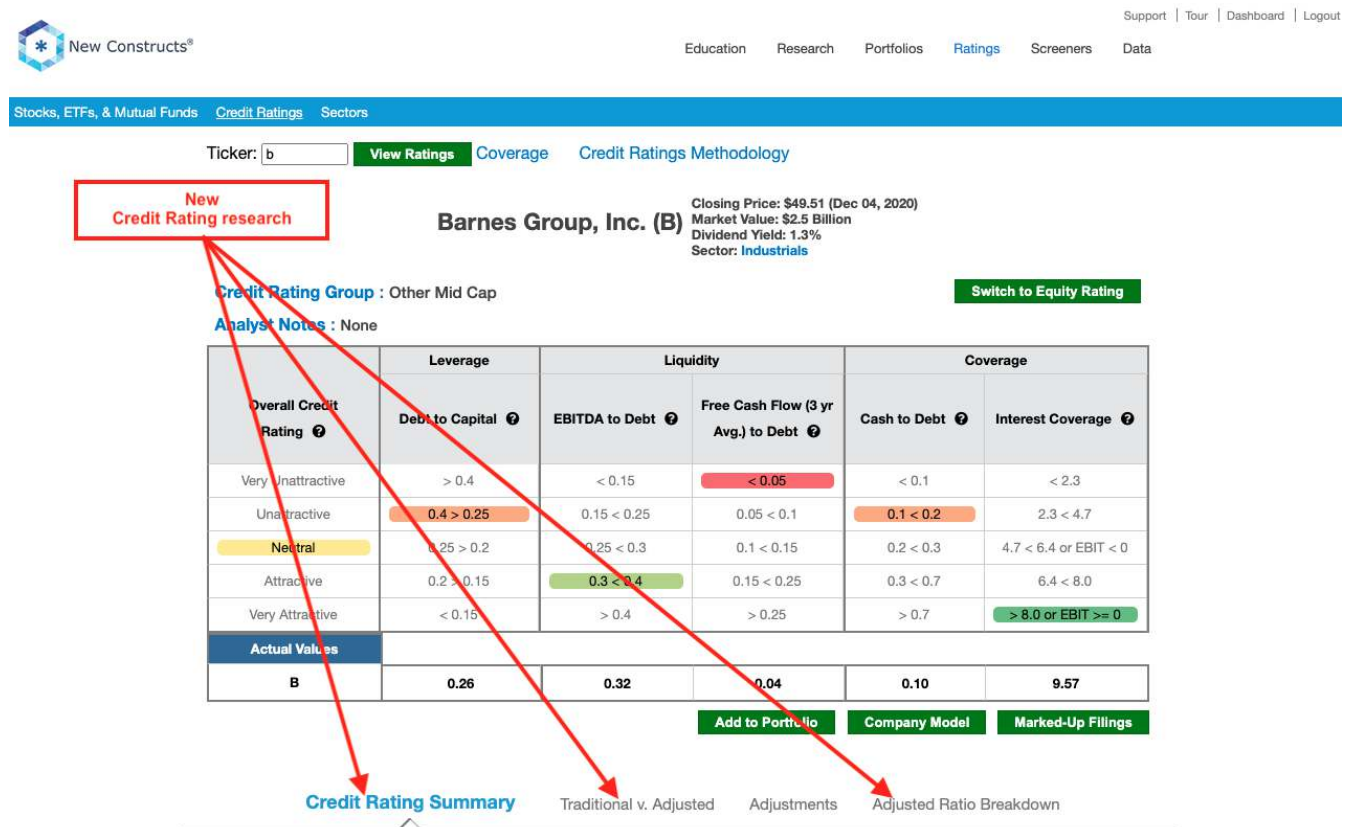
We provide additional Credit Rating research:

1. A Credit Rating Summary,
2. Comparison of Traditional v. Adjusted Ratios,
3. Adjusted Ratio Breakdown to show how we calculate each ratio.

This research is available to all members on their Portfolios page, to Platinum and higher members on the Ratings page, and to Unlimited and higher members on the Screeners pages.



**Figure 6: More Credit Rating Research Below Credit Rating Table**

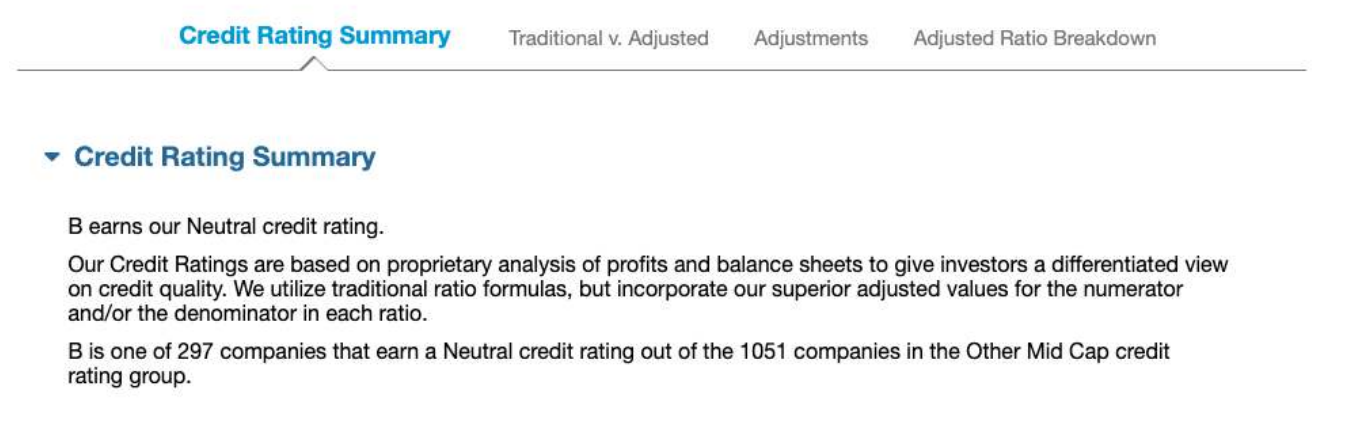


Sources: New Constructs, LLC

### Credit Rating Summary Tab

Get a brief summary of our Overall Credit Rating and details on where each company ranks versus peers in its credit rating group.

**Figure 7: Credit Ratings Summary Details**



Sources: New Constructs, LLC

### Traditional v. Adjusted Tab

We compare the traditional and adjusted versions of our five Credit Rating ratios over the last five years in charts, and we highlight the biggest adjustments which differentiate our adjusted ratios from traditional ratios. See image below for a sample of this research for the Debt to Capital ratio.



**Figure 8: Credit Ratings Traditional v. Adjusted Ratio Details**

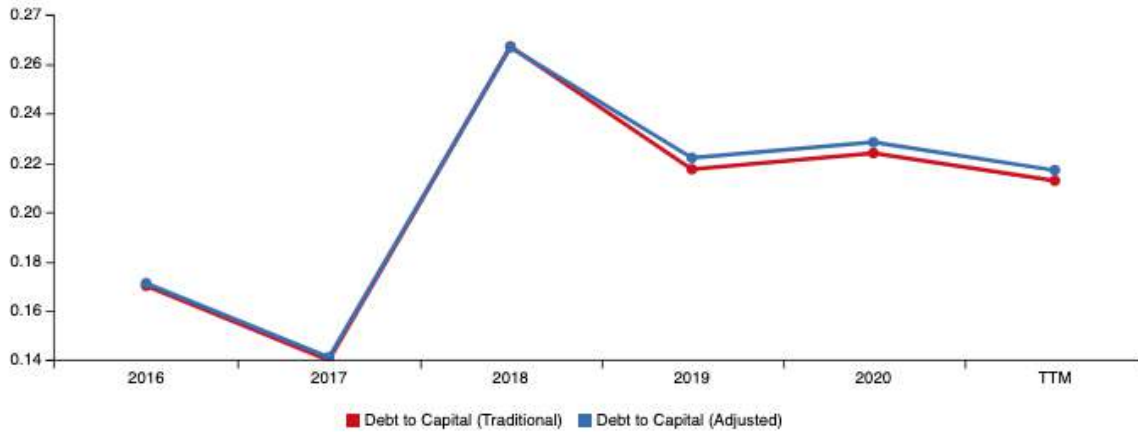
Credit Rating Summary

**Traditional v. Adjusted**

Adjustments

Adjusted Ratio Breakdown

▼ **Debt to Capital - Traditional v. Adjusted**



	2016	2017	2018	2019	2020	Current/TTM
Debt to Capital (Traditional)	0.17	0.14	0.26	0.22	0.22	0.21
Debt to Capital (Adjusted)	0.17	0.14	0.26	0.22	0.23	0.22

Adjusted Debt to Capital is **Neutral**

Debt to Capital is a leverage ratio that measures how much debt a company has relative to its Total Capital. It equals a company's interest bearing debt divided by Total Capital. Total Capital equals all debt plus market value of equity and preferred stock. A high Debt to Capital suggests a company's credit quality is poor because it carries more debt relative to other capital sources than other companies. A low Debt to Capital ratio suggests the opposite.

Adjusted Debt to Capital leverages our proprietary analysis of debt and capital. Our adjusted debt calculation accounts for the fair value of debt, [off-balance sheet debt](#), and [management assumptions that distort reported debt](#).

B has an Adjusted Debt to Capital of 0.22 compared to a Traditional Debt to Capital of 0.21 over the trailing twelve months.

▶ **EBITDA to Debt - Traditional v. Adjusted**

▶ **Free Cash Flow (3yr avg.) to Debt - Traditional v. Adjusted**

▶ **Cash to Debt - Traditional v. Adjusted**

▶ **Interest Coverage - Traditional v. Adjusted**

Sources: New Constructs, LLC



### Adjustments Tab

The research here is the same as what you see for our Stock Ratings.

### Adjusted Ratio Breakdown Tab

We present the values and a five-year chart for each of the components of the Credit Rating ratios. For example, as shown in the picture below, we provide the values for adjusted debt and adjusted capital, which we use to calculate the Adjusted Debt to Capital ratio. We provide the same granularity for each Credit Rating ratio.

**Figure 9: Credit Ratings Adjusted Ratio Breakdown Details**



\$ Values in Millions	2016	2017	2018	2019	2020	Current/TTM
Adjusted Debt (MM)	\$533	\$572	\$976	\$889	\$750	\$750
Adjusted Capital (MM)	\$3,085	\$3,950	\$3,729	\$4,038	\$3,317	\$3,479
Debt to Capital (Adjusted)	0.17	0.14	0.26	0.22	0.23	0.22

Adjusted Debt to Capital is **Neutral**

B's Adjusted Debt to Capital ratio is 0.22 based on Adjusted Debt of \$750 million and Adjusted Capital of \$3,479 million over the trailing twelve months.

▶ Adjusted EBITDA to Debt

▶ Adjusted Free Cash Flow (3yr avg) to Debt

▶ Adjusted Cash to Debt

▶ Adjusted Interest Coverage Ratio

Sources: New Constructs, LLC



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

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## *It's Official: We Offer the Best Fundamental Data in the World*

Many firms claim their research is superior, but none of them can prove it with independent studies from highly-respected institutions as we can. Three different papers from both the public and private sectors show:

1. Legacy fundamental datasets suffer from significant inaccuracies, omissions and biases.
2. Only our “novel database” enables investors to overcome these flaws and apply [reliable](#) fundamental data in their research.
3. Our proprietary measures of [Core Earnings](#) and [Earnings Distortion](#) materially improve stock picking and forecasting of profits.

### **Best Fundamental Data in the World**

Forthcoming in [The Journal of Financial Economics](#), a top peer-reviewed journal, [Core Earnings: New Data & Evidence](#) proves our Robo-Analyst technology overcomes material shortcomings in legacy firms’ data collection processes to provide superior [fundamental data](#), [earnings](#) models, and [research](#). More [details](#).

Key quotes from the paper:

- “[New Constructs’] *Total Adjustments* differs significantly from the items identified and excluded from Compustat’s adjusted earnings measures. For example... 50% to 70% of the variation in *Total Adjustments* is not explained by S&P Global’s (SPGI) *Adjustments* individually.” – pp. 14, 1<sup>st</sup> para.
- “A final source of differences [between New Constructs’ and S&P Global’s data] is due to data collection oversights...we identified cases where Compustat did not collect information relating to firms’ income that is useful in assessing core earnings.” – pp. 16, 2<sup>nd</sup> para.

### **Superior Models**

A top accounting firm features the superiority of our ROIC, NOPAT and Invested Capital research to Capital IQ & Bloomberg’s in [Getting ROIC Right](#). See the [Appendix](#) for direct comparison details.

Key quotes from the paper:

- “...an accurate calculation of ROIC requires more diligence than often occurs in some of the common, off-the-shelf ROIC calculations. Only by scouring the footnotes and the MD&A [ as New Constructs does] can investors get an accurate calculation of ROIC.” – pp. 8, 5<sup>th</sup> para.
- “The majority of the difference...comes from New Constructs’ machine learning approach, which leverages technology to calculate ROIC by applying accounting adjustments that may be buried deeply in the footnotes across thousands of companies.” – pp. 4, 2<sup>nd</sup> para.

### **Superior Stock Ratings**

Robo-Analysts’ stock ratings outperform those from human analysts as shown in this [paper](#) from Indiana’s Kelley School of Business. Bloomberg features the paper [here](#).

Key quotes from the paper:

- “the portfolios formed following the buy recommendations of Robo-Analysts earn abnormal returns that are statistically and economically significant.” – pp. 6, 3<sup>rd</sup> para.
- “Our results ultimately suggest that Robo-Analysts are a valuable, alternative information intermediary to traditional sell-side analysts.” – pp. 20, 3<sup>rd</sup> para.

Our mission is to provide the best fundamental analysis of public and private businesses in the world and make it affordable for all investors, not just Wall Street insiders.

We believe every investor deserves to know the whole truth about the profitability and valuation of any company they consider for investment. More details on our cutting-edge technology and how we use it are [here](#).





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