7 Equity Ratings Impacted by Our Historical Cash Tax Rate Update

We recently announced a forthcoming update to the historical Cash Tax Rate used in our models. Details on this change are here.

Rating Changes Caused by Updating the Cash Tax Rate

The seven stocks below will see their ratings change as a result of this update.

Figure 1: Ratings Impacted by Cash Tax Rate Update

Ticker	Company	Sector	Rating Prior to Update	Rating After Update
ALPMY	Astellas Pharma Inc.	Healthcare	Very Attractive	Neutral
CDK	CDK Global, Inc.	Technology	Very Attractive	Neutral
FOXA	Fox Corp	Consumer Cyclicals	Very Attractive	Neutral
HLF	Herbalife Nutrition	Consumer Non-cyclicals	Very Attractive	Neutral
PRI	Primerica Inc.	Financials	Very Attractive	Neutral
SFBS	ServisFirst Bancshares	Financials	Very Attractive	Neutral
APA	Apache Corporation	Energy	Neutral	Unattractive

Sources: New Constructs, LLC

Impact on our Models

The impact on the aggregate net operating profit after-tax (NOPAT) across our coverage universe is:

- Average fiscal 2017 NOPAT will increase by ~11%
- Average fiscal 2018 NOPAT will increase by ~7%
- Average fiscal 2019 NOPAT will increase by ~4%
- Average trailing-twelve-month (TTM) NOPAT will increase by ~2%

When You Will See the Change: Thursday, December 17

This update will go into effect on our site the morning of Thursday, December 17.

This article originally published on December 16, 2020.

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

Follow us on Twitter, Facebook, LinkedIn, and StockTwits for real-time alerts on all our research.

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.

The Journal of Financial Economics 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.

Forthcoming in The Journal of Financial Economics, the HBS & MIT Sloan paper, Core Earnings: New Data and Evidence, proves 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 against Bloomberg & Capital IQ.

Learn more.

Quotes from HBS & MIT Sloan professors on our research:

Superior data:

"[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 IBSPI Adjustments, OIADP Adjustments, or OPE Adjustments individually." — pp. 14, 1st para.

Pick better stocks:

"Trading strategies that exploit non-core earnings produce abnormal returns of 8% per year." – Abstract, 5th sentence

Risks of using legacy data providers:

"we identified cases where Compustat did not collect information relating to firms' income that is useful in assessing core earnings." – pp. 16, 2nd para.

Build better models:

"… the machine [NC's Robo-Analyst technology] learned and replicated human analysts' judgements based on their prior decisions. It did so with greater speed and scale to produce a database covering a broad cross-section of firms." – pp. 9, 2nd para.

Exploit market inefficiencies:

"…analysts and other market participants are slow to impound the implications of the distinction between core and non-core earnings, especially those disclosed from the footnotes section of the 10-K" – pp. 35, 1st para.

Fulfill fiduciary duties:

"These costs [of analyzing footnotes] point to the potential for increasing inequities in the usefulness of financial statements for sophisticated versus unsophisticated investors who differ in their technological capabilities for processing 10-K information" – pp. 35, 2nd para.

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