Quarterly Data Estimates

In order for us to build accurate company valuation models for our portfolio management clients, we have to estimate the value of certain data points in quarterly periods. These estimates are necessary because companies often omit footnote disclosures in quarterly filings that they include in annual filings. We take a very conservative approach to these estimates to ensure that our model is driven by disclosed data and not our estimates as much as possible. Items commonly estimated include operating leases payments data, pension data, & employee stock option data, but can include any data reported in the footnotes or MD&A.

We make two types of estimates for quarterly data: forward-looking estimates and backward-looking estimates.

Forward-Looking Estimates

Forward-looking estimates are necessary when the most recent filing is a quarterly filing. For example, ABC Corp's most recent filing is its 10-Q for the first quarter of 2021. Since the most recent filing is a quarterly filing, forward-looking estimates based on data disclosed in the 2020 10-K may be used when building a quarterly model for the period.

We estimate balance-sheet-like data (snapshots of data at a particular time) by pushing forward the last reported value from a prior period. The last disclosed value can be from a prior quarterly or annual period. For example, if ABC Corp disclosed in its 2020 10-K that it had 100 million ESOs outstanding and did not disclose any ESO data in its 2021 Q1 filing, we would use the last reported value of 100 million ESOs outstanding in our 2021 Q1 model. If ABC Corp had disclosed ESOs data in the Q1 filing, we would use the disclosed data and make no estimates. This is a conservative approach to data estimation. We do not grow (or decrease) balance-sheet-like values with our quarterly estimates.

We do not make forward looking estimates for quarterly income statement related data. Hidden non-recurring charges are unusual and we've found no reliable way to estimate them due to their infrequent nature. Therefore, we do not estimate these types of values and only use them in our model when they are disclosed in a filing.

Backward-Looing Estimates

Backward-looking estimates are used when the most recent filing is an annual filing. Once we process the annual filing for a fiscal year, we update our prior quarterly and TTM models with backward-looking estimates that backfill quarterly data based on data only disclosed in the annual filing. This backfill is necessary because annual filings contain additional disclosures that are often omitted in the quarterly filings. For example, ABC Corp's most recent filing is its 10-K for 2021 and contains disclosures for a large unusual expense that was not disclosed in any quarterly filings. So, we backfill the quarterly models for the 1st, 2nd, 3rd and 4th quarters of 2021 with data so that the 2021 quarterly models add up to the results in the full-year 2021 model.

Point-in-Time Backtest Data

In our backtest data files, only data available on the publish date is used to generate models. No data from any future filings is ever used to estimate data in quarterly periods (or any periods).

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Disclosure: David Trainer, Kyle Guske II, Matt Shuler, and Brian Pellegrini receive no compensation to write about any specific stock, sector 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, 1st 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, 2nd 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, 5th 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, 2nd 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, 3rd para.

- "Our results ultimately suggest that Robo-Analysts are a valuable, alternative information intermediary to traditional sell-side analysts." – pp. 20, 3rd 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.

DISCLOSURES

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