



Unreported Expenses Are Today's Filing Season Find

For March 8, our forensic accounting needle in a haystack comes from a travel website that left some expenses out of its initial earnings report.

Get the best fundamental research

Analyst Hunter Anderson found an unusual item in Trivago's (TRVG) 2018 20-F, the international equivalent of a 10-K.

On [page 6](#), TRVG discloses that its selling and marketing expense for the year includes 1 million Euros (~\$1.1 million) that was not initially included in its unaudited fourth quarter results released on February 6. The company does not explain why these costs were not included in the original, unaudited results.

The inclusion of these costs led to TRVG's reported operating loss increasing from €18.2 million in its press release to €19.2 million in its 20-F, a 6% change. Investors who rely on the initial reported results before analyzing the audited financials risk making decisions based on misleading data.

Investors need to focus on "[The Real Earnings Season](#)", when audited 10-Ks are filed, to faithfully evaluate corporate performance. Press releases are unaudited and offer inadequate information to assess economic earnings.

We've been [bearish on Trivago since its IPO](#), and this unreliable accounting only gives us more conviction that investors should avoid this stock. TRVG is down more than 50% from its IPO price, and the stock continues to earn our [Unattractive](#) rating.

The Power of the Robo-Analyst

We analyzed 72 10-K filings yesterday, from which our [Robo-Analyst](#)¹ technology collected 4,768 data points. Our analyst team used this data to make 1,165 forensic accounting [adjustments](#) with a dollar value of \$552 billion. The adjustments were applied as follows:

- 496 income statement adjustments with a total value of \$32 billion
- 479 balance sheet adjustments with a total value of \$240 billion
- 190 valuation adjustments with a total value of \$280 billion

We believe this research is necessary to fulfill the [Fiduciary Duty of Care](#). Ernst & Young's white paper, "[Getting ROIC Right](#)", demonstrates how these adjustments contribute to meaningfully superior models and metrics.

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Disclosure: David Trainer, Hunter Anderson, and Sam McBride receive no compensation to write about any specific stock, sector, style, or theme.

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¹ Harvard Business School features the powerful impact of our research automation technology in the case [New Constructs: Disrupting Fundamental Analysis with Robo-Analysts](#).



New Constructs® - Research to Fulfill the Fiduciary Duty of Care

Ratings & screeners on 3000 stocks, 450 ETFs and 7000 mutual funds help you make prudent investment decisions.

New Constructs leverages the latest in machine learning to analyze structured and unstructured financial data with unrivaled speed and accuracy. The firm's forensic accounting experts work alongside engineers to develop proprietary NLP libraries and financial models. Our investment ratings are based on the best fundamental data in the business for stocks, ETFs and mutual funds. Clients include many of the top hedge funds, mutual funds and wealth management firms. David Trainer, the firm's CEO, is regularly featured in the media as a thought leader on the fiduciary duty of care, earnings quality, valuation and investment strategy.

To fulfill the Duty of Care, research should be:

1. **Comprehensive** - All relevant publicly-available (e.g. 10-Ks and 10-Qs) information has been diligently reviewed, including footnotes and the management discussion & analysis (MD&A).
2. **Un-conflicted** - Clients deserve unbiased research.
3. **Transparent** - Advisors should be able to show how the analysis was performed and the data behind it.
4. **Relevant** - Empirical evidence must provide [tangible, quantifiable correlation](#) to stock, ETF or mutual fund performance.

Value Investing 2.0: Diligence Matters: Technology is Key to Value Investing With Scale

Accounting data is only the beginning of fundamental research. It must be translated into economic earnings to truly understand profitability and valuation. This translation requires deep analysis of footnotes and the MD&A, a process that our [robo-analyst technology](#) empowers us to perform for thousands of stocks, ETFs and mutual funds.



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