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Portfolio: Possible Long (default)

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| Details | Ticker | Name            | Type  | Sector / Style | Price <sup>1</sup> | Mkt Val / AUM <sup>2</sup> | Div Yield | Risk/Reward Rating ▲ | Report | ROIC | FCF Yield | Price to EBV | GAP | Analyst Notes Updated <sup>3</sup> | Remove |
|---------|--------|-----------------|-------|----------------|--------------------|----------------------------|-----------|----------------------|--------|------|-----------|--------------|-----|------------------------------------|--------|
| ⊖       | FF     | Futurefuel Corp | Stock | Energy         | \$11.56            | \$506                      | 2.1%      | Very Attractive      | ↓      | 11%  | 21%       | 0.9          | < 1 |                                    | ×      |

Ratings Methodology

Futurefuel Corp (FF) Closing Price: \$11.56 (Aug 01, 2019)  
Market Value: \$506 Million  
Dividend Yield: 2.1%  
Sector: Energy

Analyst Notes : None

| Risk/Reward Rating ⓘ | Quality of Earnings        |                 | Valuation   |                   |                      |
|----------------------|----------------------------|-----------------|-------------|-------------------|----------------------|
|                      | Economic vs Reported EPS ⓘ | ROIC ⓘ          | FCF Yield ⓘ | Price to EBV ⓘ    | Market-Implied GAP ⓘ |
| Very Unattractive    | Misleading Trend           | Bottom Quintile | < -5%       | > 3.5 or -1 < 0   | > 50                 |
| Unattractive         | False Positive             | 4th Quintile    | -5% < -1%   | 2.4 < 3.5 or < -1 | 20 < 50              |
| Neutral              | Neutral EE                 | 3rd Quintile    | -1% < 3%    | 1.6 < 2.4         | 10 < 20              |
| Attractive           | Positive EE                | 2nd Quintile    | 3% < 10%    | 1.1 < 1.6         | 3 < 10               |
| Very Attractive      | Rising EE                  | Top Quintile    | > 10%       | 0 < 1.1           | 0 < 3                |

| Actual Values |                   |     |     |     |        |
|---------------|-------------------|-----|-----|-----|--------|
| FF            | \$0.15 vs. \$0.42 | 11% | 21% | 0.9 | < 1 yr |

| Benchmark ⓘ         |             |     |     |     |        |
|---------------------|-------------|-----|-----|-----|--------|
| Sector ETF (XLE)    | Neutral EE  | 5%  | 1%  | 2.5 | 40 yrs |
| S&P 500 ETF (SPY)   | Positive EE | 18% | 1%  | 3.0 | 40 yrs |
| Small Cap ETF (IWM) | Positive EE | 5%  | -1% | 3.2 | 37 yrs |

Company Model Download XLS Download Report

Investment Summary Rating Breakdown GAAP Reconciliation Adjustments

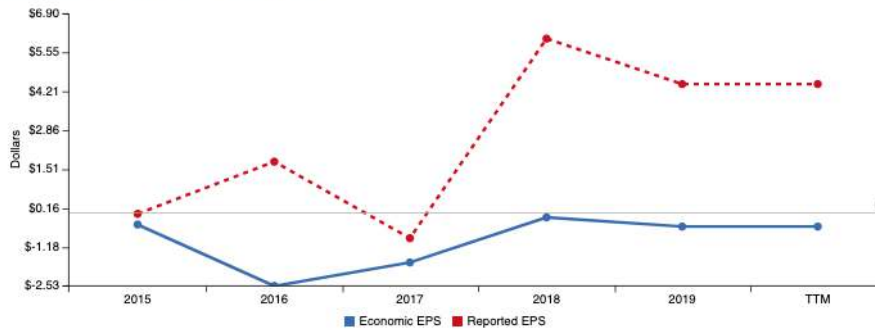


### Rating Breakdown Tab

Get charts and more details on the key metrics that drive our overall Risk/Reward rating: [economic vs. reported EPS](#), return on invested capital ([ROIC](#)), free cash flow ([FCF](#)) yield, price-to-economic book value ([PEBV](#)) ratio, and growth appreciation period ([GAP](#)). Expanding each of these sections will display up to five years of history for the selected metric.

Investment Summary    **Rating Breakdown**    GAAP Reconciliation    Adjustments

#### ▼ Economic EPS vs Reported EPS

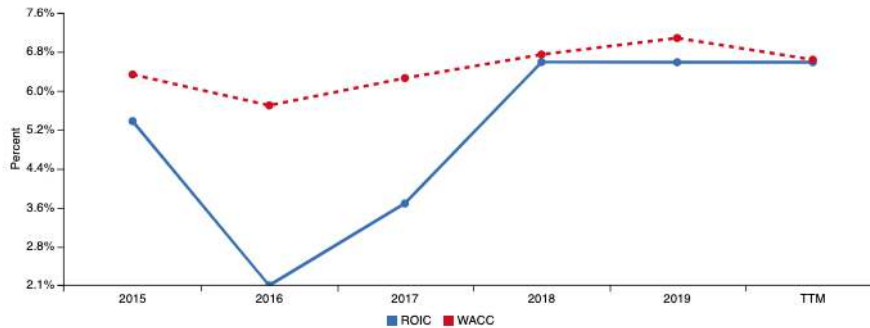


Economic Earnings are **Neutral**

**Economic Earnings** are almost always meaningfully different than reported earnings. We believe Economic Earnings provide a truer measure of profitability and shareholder value creation than reported earnings because they have been adjusted to remove over twenty accounting distortions.

Economic Earnings per share (EEPS) for DXC for the trailing twelve months are (\$0.47) compared to reported earnings per share of \$4.47 and earn a Neutral rating.

#### ▼ Return on Invested Capital (ROIC)



ROIC is **Unattractive**

**ROIC** measures a company's return on all cash invested in the business. It is the truest measure of profitability. Stock valuations are more highly correlated to ROIC than any other metric.

**Weighted-Average Cost of Capital (WACC)** is the average of debt and equity capital costs that all publicly traded companies with debt and equity stakeholders incur as a cost of operating.

Companies must earn an ROIC greater than WACC to generate positive economic earnings and create value for shareholders.

DXC's ROIC of 6.6% for the trailing twelve months earns an Unattractive rating. ROIC is calculated as NOPAT of \$1,761 million divided by Average Invested Capital of \$26,736 million.

#### ▶ Free Cash Flow Yield (FCF Yield)

#### ▶ Price-to-EBV Ratio

#### ▶ Growth Appreciation Period



**Adjustments Tab**

Get a five-year history of the adjustments we make from key details found in the footnotes and MD&A of financial filings for each stock in your portfolio. See the number of adjustments, total dollar value of adjustments and as a percent of market cap and more, per image below.

Investment Summary

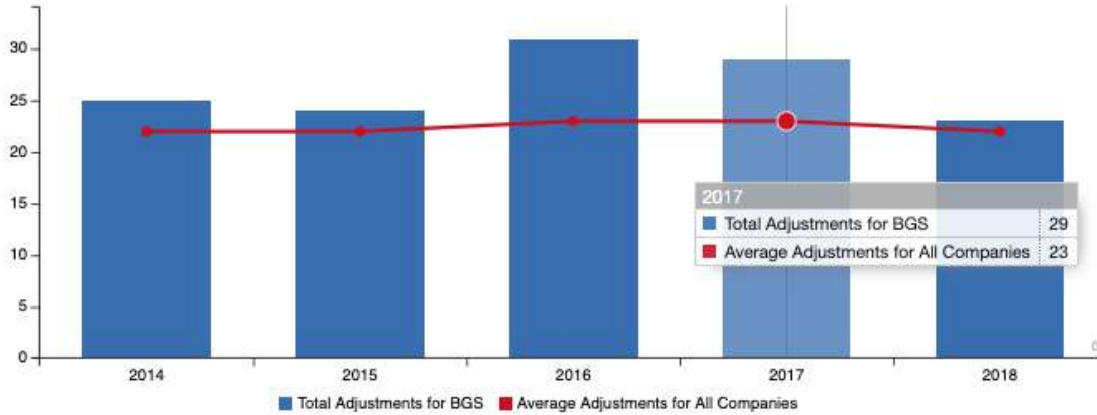
Rating Breakdown

GAAP Reconciliation

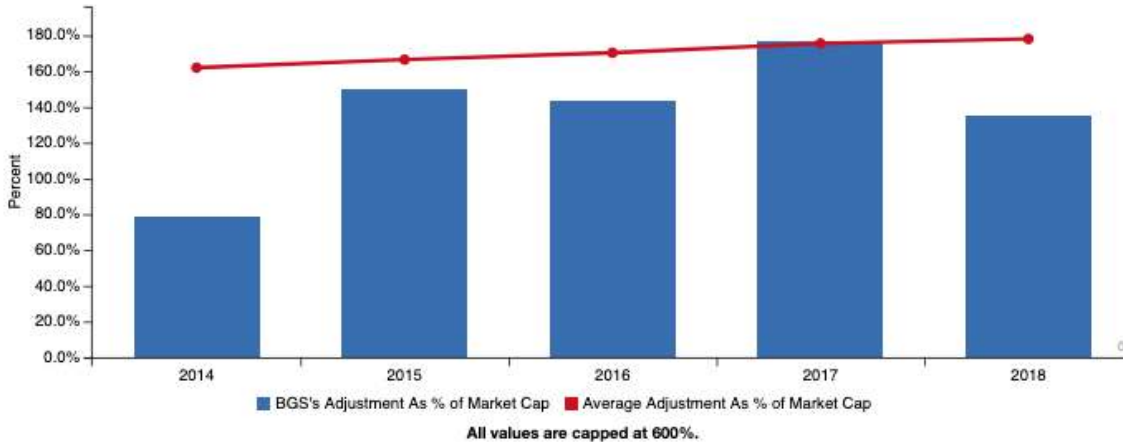
**Adjustments**

| Total Adjustments Summary for B&G Foods, Inc. |         |         |         |         |         |
|---|---------|---------|---------|---------|---------|
| ( values in millions )                        | 2014    | 2015    | 2016    | 2017    | 2018    |
| Number of Adjustments                         | 25      | 24      | 31      | 29      | 23      |
| <i>Average for all companies</i>              | 22      | 22      | 23      | 23      | 22      |
| Total Value of Adjustments                    | \$1,553 | \$2,965 | \$2,820 | \$3,477 | \$2,666 |
| Total Value of Adjustments as % of market cap | 79%     | 151%    | 143%    | 177%    | 136%    |
| <i>Average for all companies</i>              | 162%    | 167%    | 171%    | 176%    | 178%    |

▼ **Number of Adjustments**



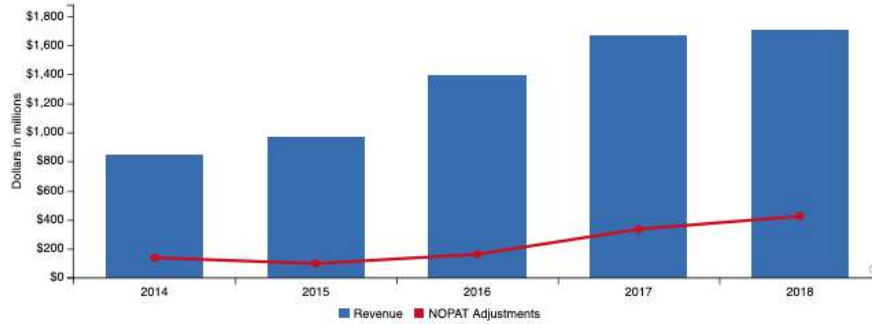
▼ **\$ Value of Adjustments As % of Market Cap**





Get detailed breakdowns of the income statement adjustments, balance sheet adjustments, and stock valuation adjustments. Expanding each of these sections will provide up to five years of history as well as key details such as the number and size of the most notable adjustments for NOPAT, invested capital, and valuation. See image below.

▼ Income Statement Adjustments

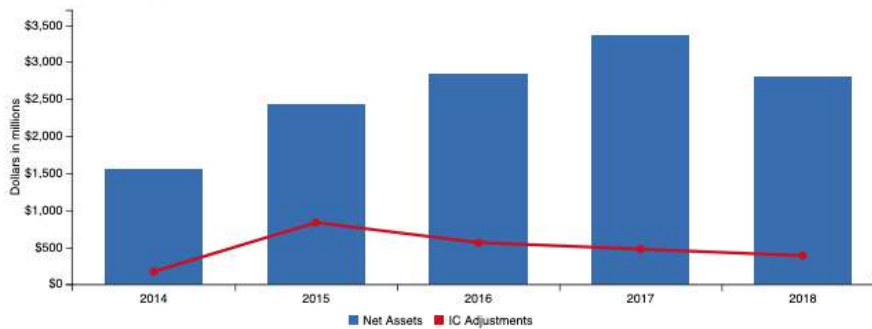


We made 10 adjustments to convert B&G Foods, Inc.'s reported 2018 earnings to NOPAT, for a net impact of \$11 million. We net 4 income adjustments of \$207 million against 6 expense adjustments of \$218 million.

17% of companies require more adjustments to reported earnings as a percent of revenue than BGS to calculate NOPAT.

The most notable accounting distortion to reported Net Income for BGS in 2018 is \$67 million (4% of revenue) of write-downs of assets hidden in operating line items. These asset write-downs are unusual charges that don't appear on the income statement because they are bundled in other line items. Without careful footnotes research, investors would never know that these non-recurring items distort operating earnings.

▼ Balance Sheet Adjustments



We made 9 adjustments to convert B&G Foods, Inc.'s reported 2018 net assets to Invested Capital, for a net impact of \$348 million. We net 2 asset decrease adjustments of \$22 million against 7 increase adjustments of \$370 million.

89% of companies require more adjustments than BGS to calculate Invested Capital.

The most notable accounting distortion to reported net assets for BGS in 2018 is \$97 million in adjustments for asset write downs, which is 3% of reported net assets. Write-downs allow management to erase assets from the balance sheet, which inflates any return on asset/capital metric. Therefore, we add back asset write-downs (after tax) to our measure of invested capital.

▼ Stock Valuation Adjustments



We made 4 adjustments for a net impact of \$1,853 million to our DCF model for B&G Foods, Inc. in the trailing twelve months, consisting entirely of adjustments that decrease value.

16% of companies require more adjustments as a percent of market value to calculate valuation metrics.

The most notable accounting distortion to these valuation metrics for BGS in the trailing twelve months was the net deferred tax liability. We adjusted shareholder value by \$235 million, which is 18% of the firm's market value. We subtract net deferred tax liabilities (DTLs minus DTAs) from our calculation of shareholder value as they are real future cash obligations that limit the amount of money available for distribution to shareholders.



## GAAP Reconciliation Tab

Get a five-year history of the reconciliation of GAAP net income to net operating profit after-tax ([NOPAT](#)) and reported total assets to [invested capital](#) along with all adjustments to our discounted cash flow ([DCF](#)) model.

### Adjustments for Economic Earnings

Reported earnings don't tell the whole story of a company's profits. We scour the footnotes and fine print so clients have the whole truth. Full details on our adjustment methodologies are [here](#).

| \$ Values in Millions   | 2014       | 2015       | 2016       | 2017       | 2018       | Current/TTM |
|---|------------|------------|------------|------------|------------|-------------|
| <b>Income Statement Adjustments</b>   |            |            |            |            |            |             |
| GAAP Net Income   | \$40.96    | \$69.09    | \$109.42   | \$217.46   | \$172.44   | \$168.68    |
| Total Net Non-Operating Expense Hidden in Operating Earnings                | \$4.47     | \$15.94    | \$24.08    | \$41.70    | \$94.11    | \$70.58     |
| Reported Net Non-Operating Expense  | \$78.27    | \$51.13    | \$82.33    | \$91.34    | (\$58.51)  | (\$64.72)   |
| Change in Total Reserves  | \$0.00     | \$0.00     | \$0.00     | \$0.00     | \$0.00     | \$0.00      |
| Interest for PV of Operating Leases   | \$1.49     | \$1.41     | \$1.51     | \$1.90     | \$2.19     | \$2.19      |
| Non-Operating Tax Adjustment  | (\$29.66)  | (\$22.44)  | (\$44.65)  | (\$181.26) | (\$26.83)  | (\$6.60)    |
| Net After-Tax Non-Operating Expense/(Income)                                | \$0.00     | \$0.00     | \$0.00     | \$0.00     | \$0.00     | \$0.00      |
| NOPAT (Net Operating Profit After Tax)                                      | \$95.53    | \$115.13   | \$172.70   | \$171.15   | \$183.39   | \$170.13    |
| <b>Balance Sheet Adjustments</b>  |            |            |            |            |            |             |
| Total Assets (unadjusted)   | \$1,649.35 | \$2,571.71 | \$3,043.50 | \$3,561.04 | \$3,054.80 | \$3,074.18  |
| Total Current/Investment Liabilities  | (\$92.69)  | (\$134.87) | (\$205.69) | (\$201.49) | (\$258.46) | (\$266.54)  |
| Reported Net Assets   | \$1,556.66 | \$2,436.85 | \$2,837.81 | \$3,359.55 | \$2,796.34 | \$2,807.64  |
| Short-Term Debt   | \$18.75    | \$33.75    | \$10.51    | \$0.00     | \$0.00     | \$0.00      |
| Excess Cash   | (\$0.00)   | (\$0.00)   | (\$0.00)   | (\$123.10) | (\$0.00)   | (\$0.00)    |
| Total Reserves  | \$0.00     | \$0.00     | \$0.00     | \$0.00     | \$0.00     | \$0.00      |
| Unconsolidated Subsidiary Assets (non-operating)                            | (\$0.00)   | (\$0.00)   | (\$0.00)   | (\$0.00)   | (\$0.00)   | (\$0.00)    |
| Discontinued Operations Adjustment  | \$0.00     | \$0.00     | \$0.00     | \$0.00     | \$0.00     | \$0.00      |
| Deferred Compensation Adjustment  | \$0.00     | \$0.00     | \$0.00     | \$0.00     | \$0.00     | \$0.00      |
| Deferred Tax Adjustment   | (\$3.27)   | (\$5.29)   | (\$7.90)   | (\$3.12)   | (\$4.94)   | (\$5.35)    |
| Over Funded Pensions (Asset)  | (\$0.00)   | (\$0.15)   | (\$3.97)   | (\$0.00)   | (\$0.00)   | (\$0.00)    |
| Off-Balance-Sheet Operating Leases  | \$29.46    | \$27.85    | \$29.87    | \$37.57    | \$43.12    | \$43.12     |
| Accumulated Unrecorded Goodwill   | \$0.00     | \$0.00     | \$0.00     | \$0.00     | \$0.00     | \$0.00      |
| Accumulated Goodwill Amortization   | \$0.00     | \$0.00     | \$0.00     | \$0.00     | \$0.00     | \$0.00      |
| Accumulated Asset Write-Downs After-Tax                                     | \$37.15    | \$37.15    | \$41.11    | \$44.80    | \$96.90    | \$83.91     |
| Accumulated OCI (Other Comprehensive Income), Including Quarterly Estimates | \$11.03    | \$12.70    | \$19.36    | \$20.76    | \$23.50    | \$21.88     |
| Invested Capital  | \$1,649.77 | \$2,542.85 | \$2,926.79 | \$3,336.44 | \$2,954.92 | \$2,922.80  |
| Average Invested Capital  | \$1,573.12 | \$1,821.76 | \$2,552.91 | \$3,083.82 | \$3,213.87 | \$3,117.47  |

### Adjustments for our DCF Model, Economic Book Value, and Enterprise Value Calculations

We use a [dynamic discounted cash flow \(DCF\) model](#) to quantify the market expectations for future cash flows in stock prices. This approach, also known as "expectations investing" or "reverse DCF", is the most transparent and objective approach to valuing stocks.

| \$ Values in Millions  | 2014         | 2015         | 2016         | 2017         | 2018         | Current/TTM  |
|--|--------------|--------------|--------------|--------------|--------------|--------------|
| Excess Cash  | \$0.00       | \$0.00       | \$0.00       | \$123.10     | \$0.00       | \$0.00       |
| Net Assets from Discontinued Operations                        | \$0.00       | \$0.00       | \$0.00       | \$0.00       | \$0.00       | \$0.00       |
| Net Deferred Tax Liability                                     | (\$200.93)   | (\$244.79)   | (\$307.58)   | (\$233.16)   | (\$230.96)   | (\$234.53)   |
| Net Deferred Compensation Assets                               | \$0.00       | \$0.00       | \$0.00       | \$0.00       | \$0.00       | \$0.00       |
| Fair Value of Unconsolidated Subsidiary Assets (non-operating) | \$0.00       | \$0.00       | \$0.00       | \$0.00       | \$0.00       | \$0.00       |
| Fair Value of Total Debt                                       | (\$1,031.46) | (\$1,780.55) | (\$1,777.04) | (\$2,286.32) | (\$1,597.76) | (\$1,598.63) |
| Fair Value of Preferred Capital                                | (\$0.00)     | (\$0.00)     | (\$0.00)     | (\$0.00)     | (\$0.00)     | (\$0.00)     |
| Fair Value of Minority Interests                               | (\$0.00)     | (\$0.00)     | (\$0.00)     | (\$0.00)     | (\$0.00)     | (\$0.00)     |
| Value of Outstanding ESO After-Tax                             | (\$1.71)     | (\$2.49)     | (\$4.38)     | (\$2.99)     | (\$2.92)     | (\$1.11)     |
| Pensions Net Funded Status                                     | (\$3.56)     | \$0.15       | \$3.97       | (\$19.72)    | (\$18.45)    | (\$18.45)    |
| Total Valuation Adjustments                                    | (\$1,237.67) | (\$2,027.68) | (\$2,085.02) | (\$2,419.08) | (\$1,850.09) | (\$1,852.72) |



**Investment Summary Tab**

Our Investment Recommendation Summary, our Risk/Reward rating history, and market statistics, such as P/E, shares outstanding, and stock performance over different timeframes were already available.

**Investment Summary**

Rating Breakdown

GAAP Reconciliation

Adjustments

▼ **Investment Recommendation Summary**

**Action Recommendation: Buy**

Risk/Reward Assessment: Upside Potential ⬆

77% of companies we cover have fewer earnings adjustments.

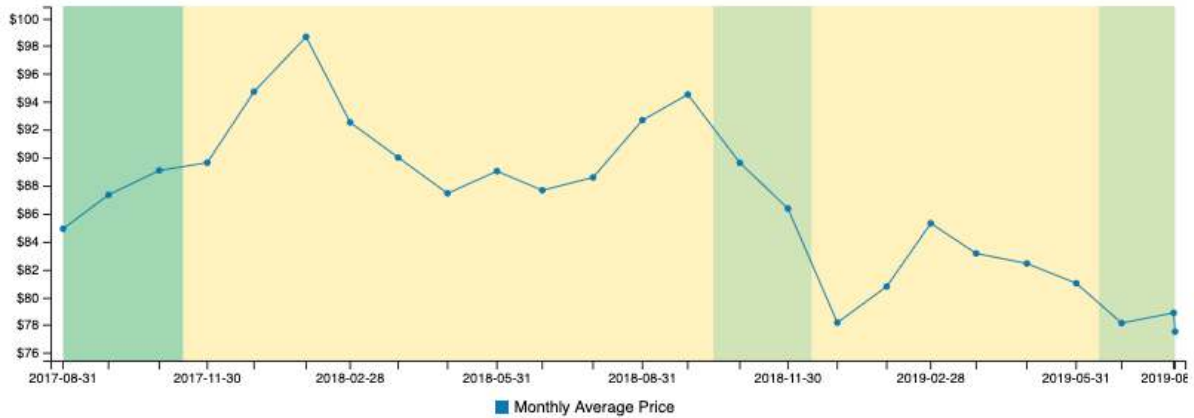
For CM, we made a total of \$7,416 million in income statement and balance sheet adjustments to convert accounting earnings to economic earnings in FY18.

70% of companies we cover have fewer valuation adjustments.

We made \$5,452 million in adjustments in our DCF valuation of the stock.



▼ **Rating History\***



\* This chart shows the monthly average rating and stock price. As a result, today's rating may differ from the last month shown in the chart.

▼ **Statistics & Performance**

| Key Market Statistics          |          | Stock Performance |         |
|--------------------------------|----------|-------------------|---------|
| Enterprise Value (MM)          | \$39,794 | Year to Date      | 5.4%    |
| EV/EBITDA                      | 8.28     | Last 30 Days      | (2.5%)  |
| EBV per share                  | \$152.78 | Last 60 Days      | 3.7%    |
| Shares Outstanding (Thousands) | 444,028  | Last 90 Days      | (6.6%)  |
| P/E (TTM)                      | 9.23     | Last Year         | (12.4%) |

Unlimited and Institutional members can also access this information directly on the Screeners and Ratings pages.

Please contact us at [support@newconstructs.com](mailto:support@newconstructs.com) if you have any questions,



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*Disclosure: David Trainer, Sam McBride, and Kyle Guske II receive no compensation to write about any specific stock, sector, style, or theme.*

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2. **Un-conflicted** - Clients deserve unbiased research.
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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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