New Constructs®
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DILIGENCE PAYS 3/2/20

Case Studies: Reconciliation of Revenue to EBITDA

This report provides a case study for exactly how we perform the Revenue to EBITDA Reconciliation for General Motors (GM).

This case study shows the original source data used to perform all of our calculations and adjustments. It allows clients to audit our work and serve as supporting documentation for the backtest dataset.

We provide original values and locations for all data.

Figure 1 shows the detailed reconciliation for General Motors (GM). The specific calculations behind this reconciliation are in this excel file:

Download the Case Study

Earnings before interest, taxes, depreciation, and amortization (EBITDA) is a common financial metric used to measure the cash operating profits of a business. EBITDA is popular because it is simple to understand and calculate.

Our Adjusted EBITDA removes the unusual gains and losses that distort other measures of EBITDA.

Clients can audit all of the unusual items used in our calculations in the Marked-Up Filings section of each of our Company Valuation models. We are 100% transparent about what goes into our research because we want investors to trust our work and see how much goes into building the best earnings quality and valuation models.

Figure 1 shows the detailed adjustments we make to reconcile General Motors's (GM) 2018 Revenue to Adjusted EBITDA, along with the location each item was found in its 2018 10-K.

Figure 1: GM Revenue to Adjusted EBITDA Reconciliation – 2018 10-K

Datapoint	Original Line Item Text	Original Line Item Value	Original Line Item Location
Total Revenue	**SUM of items in Total Revenue**	**$147,049,000,000.00**	
	Automotive	$133,045,000,000.00	Pg. 47
	GM Financial	$14,004,000,000.00	Pg. 47
+ Total Operating Income	**SUM of items in Total Operating Income**	**$2,163,000,000.00**	
	Automotive China equity income	$1,981,000,000.00	Pg. 65
	Other joint ventures equity income	$182,000,000.00	Pg. 65
- Total Operating Expense	**SUM of items in Total Operating Expense**	**$142,604,000,000.00**	
	Automotive and other cost of sales	$120,656,000,000.00	Pg. 47
	Automotive and other selling, general and administrative expense	$9,650,000,000.00	Pg. 47
	GM Financial interest, operating and other expenses	$12,298,000,000.00	Pg. 47
- Total Hidden Non-Operating Expense, Net	**SUM of items in Total Hidden Non-Operating Expense, Net**	**$3,180,000,000.00**	
	Impairment charges	$466,000,000.00	Pg. 67
	non-cash accelerated depreciation	$301,000,000.00	Pg. 86
	non-cash asset impairments and other charges	$537,000,000.00	Pg. 86
	employee separation and other charges	$941,000,000.00	Pg. 86
	employee separation charges	$495,000,000.00	Pg. 86
	ignition switch related legal matters	$440,000,000.00	Pg. 93
- ESO Expense (Employee Stock Options)		$0.00	
+ Goodwill Amortization Expense, Net		$0.00	
+ Single Period Value for Depreciation and Amortization (Cash Flow)		$0.00	
= Adjusted EBITDA/EBTDA		**$9,788,000,000.00**	

Sources: New Constructs, LLC and company filings

For more details on each of the items in Figure 1, along with how you can access our Revenue to Adjusted EBITDA dataset, click here.

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

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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.

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- **Markets are inefficiently assessing earnings because no one reads the footnotes.**
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The HBS & MIT Sloan paper, Core Earnings: New Data and Evidence, shows how 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.

Learn more.

Quotes from HBS & MIT Sloan professors on our research:

Get better research:

"…the NC dataset provides a novel opportunity to study the properties of non-operating items disclosed in 10-Ks, and to examine the extent to which the market impounds their implications." – page 20

Pick better stocks:

"Trading strategies that exploit cross-sectional differences in firms' transitory earnings produce abnormal returns of 7-to-10% per year." – Abstract

Avoid losses from using other firms' data:

"…many of the income-statement-relevant quantitative disclosures collected by NC do not appear to be easily identifiable in Compustat…" – page 14

Build better models:

"Core Earnings [calculated using New Constructs' novel dataset] provides predictive power for various measures of one-year-ahead performance…that is incremental to their current-period counterparts." – page 4

Exploit market inefficiencies:

"These results … suggest that the adjustments made by analysts and Compustat to better capture core earnings are incomplete. Moreover, the non-core items identified by NC produce a measure of core earnings that is incremental to alternative measures of operating performance in predicting an array of future income measures." – page 26

Fulfill fiduciary duties:

"An appropriate measure of accounting performance for purposes of forecasting future performance requires detailed analysis of all quantitative performance disclosures detailed in the annual report, including those reported only in the footnotes and in the MD&A." – page 33-34

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