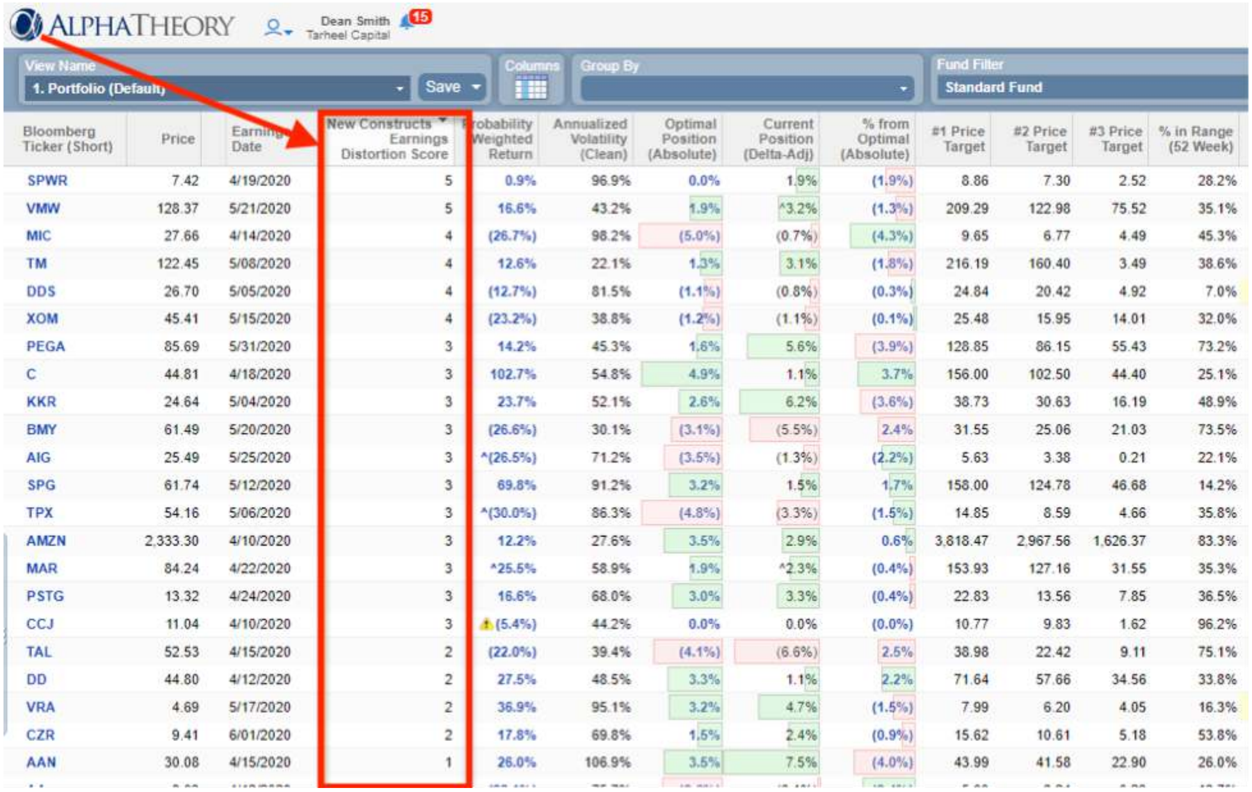
Bringing our Earnings Distortion Scores to Alpha Theory

We've partnered with Alpha Theory to provide our Earnings Distortion Scores directly into their portfolio optimization software.

Figure 1: Earnings Distortion Scores Integrated with Alpha Theory



Bloomberg Ticker (Short)	Price	Earning Date	New Constructs Earnings Distortion Score	robability Weighted Return	Annualized Volatility (Clean)	Optimal Position (Absolute)	Current Position (Delta-Adj)	% from Optimal (Absolute)	#1 Price Target	#2 Price Target	#3 Price Target	% in Range (52 Week)
SPWR	7.42	4/19/2020	5	0.9%	96.9%	0.0%	1.9%	(1.9%)	8.86	7.30	2.52	28.2%
VMW	128.37	5/21/2020	5	16.6%	43.2%	1.9%	^3.2%	(1.3%)	209.29	122.98	75.52	35.1%
MIC	27.66	4/14/2020	4	(26.7%)	98.2%	(5.0%)	(0.7%)	(4.3%)	9.65	6.77	4.49	45.3%
TM	122.45	5/08/2020	4	12.6%	22.1%	1.3%	3.1%	(1.8%)	216.19	160.40	3.49	38.6%
DDS	26.70	5/05/2020	4	(12.7%)	81.5%	(1.1%)	(0.8%)	(0.3%)	24.84	20.42	4.92	7.0%
XOM	45.41	5/15/2020	4	(23.2%)	38.8%	(1.2%)	(1.1%)	(0.1%)	25.48	15.95	14.01	32.0%
PEGA	85.69	5/31/2020	3	14.2%	45.3%	1.6%	5.6%	(3.9%)	128.85	86.15	55.43	73.2%
C	44.81	4/18/2020	3	102.7%	54.8%	4.9%	1.1%	3.7%	156.00	102.50	44.40	25.1%
KKR	24.64	5/04/2020	3	23.7%	52.1%	2.6%	6.2%	(3.6%)	38.73	30.63	16.19	48.9%
BMY	61.49	5/20/2020	3	(26.6%)	30.1%	(3.1%)	(5.5%)	2.4%	31.55	25.06	21.03	73.5%
AIG	25.49	5/25/2020	3	^(26.5%)	71.2%	(3.5%)	(1.3%)	(2.2%)	5.63	3.38	0.21	22.1%
SPG	61.74	5/12/2020	3	69.8%	91.2%	3.2%	1.5%	1.7%	158.00	124.78	46.68	14.2%
TPX	54.16	5/06/2020	3	^(30.0%)	86.3%	(4.8%)	(3.3%)	(1.5%)	14.85	8.59	4.66	35.8%
AMZN	2,333.30	4/10/2020	3	12.2%	27.6%	3.5%	2.9%	0.6%	3,818.47	2,967.56	1,626.37	83.3%
MAR	84.24	4/22/2020	3	^25.5%	58.9%	1.9%	^2.3%	(0.4%)	153.93	127.16	31.55	35.3%
PSTG	13.32	4/24/2020	3	16.6%	68.0%	3.0%	3.3%	(0.4%)	22.83	13.56	7.85	36.5%
CCJ	11.04	4/10/2020	3	(5.4%)	44.2%	0.0%	0.0%	(0.0%)	10.77	9.83	1.62	96.2%
TAL	52.53	4/15/2020	2	(22.0%)	39.4%	(4.1%)	(6.6%)	2.5%	38.98	22.42	9.11	75.1%
DD	44.80	4/12/2020	2	27.5%	48.5%	3.3%	1.1%	2.2%	71.64	57.66	34.56	33.8%
VRA	4.69	5/17/2020	2	36.9%	95.1%	3.2%	4.7%	(1.5%)	7.99	6.20	4.05	16.3%
CZR	9.41	6/01/2020	2	17.8%	69.8%	1.5%	2.4%	(0.9%)	15.62	10.61	5.18	53.8%
AAN	30.08	4/15/2020	1	26.0%	106.9%	3.5%	7.5%	(4.0%)	43.99	41.58	22.90	26.0%

Sources: New Constructs, LLC and company filings.

"Alpha Theory's goal is to constantly provide new sources of value for our clients and we believe the Earnings Distortion Score from New Constructs is great addition", said Cameron Hight, CEO of Alpha Theory.

Earnings Distortion scores indicate the likelihood of a firm to beat or miss consensus expectations for EPS, revenue, or guidance in the next quarter. These scores are categorized into 5 tiers:

- 1 – Strong Beat
- 2 – Beat
- 3 – Inline
- 4 – Miss
- 5 – Strong Miss

Earnings Distortion measures the level of non-core income/expense contained within reported earnings. It is a proprietary measure featured by professors from Harvard Business School and MIT Sloan in a recent paper: Core Earnings: New Data & Evidence. The paper empirically demonstrates the superiority of our measure of core earnings[1] based on our proprietary adjustments for unusual gains/losses.

[1] Our core earnings are a superior measure of profits, as demonstrated in In Core Earnings: New Data & Evidence a paper by professors at Harvard Business School (HBS) & MIT Sloan. The paper empirically shows that our data is superior to "Income Before Special Items" from Compustat, owned by S&P Global (SPGI).

About Alpha Theory:

Alpha Theory is the premier solution used by portfolio managers to develop an efficient portfolio. Alpha Theory leverages a firm's research and instinct to build a repeatable system for optimally sizing positions.

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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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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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