



Earnings Distortion Scorecard: Week of 8/3/20-8/7/20

For the week of 8/3/20-8/7/20, we focus on the [Earnings Distortion Scores](#) for 116 companies.

Our Earnings Distortion Scores¹ empower investors to make [smarter investments with superior data](#) as well as defend against management efforts to obfuscate financial performance.

Our proprietary measure of [earnings distortion \(as featured on CNBC Squawk Box\)](#) leverages proprietary data featured in [Core Earnings: New Data & Evidence](#). This paper shows that our adjusted core earnings are:

1. more accurate than “Operating Income After Depreciation” and “Income Before Special Items” from Compustat, owned by S&P Global (SPGI) and
2. remove significant bias from IBES Street Earnings from Refinitiv, owned by owned by Blackstone (BX) and Thomson Reuters (TRI).

COVID-19 is [not disrupting](#) our data collection and research. Our [Robo-Analyst](#) is more effective than ever.

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Weekly Earnings Distortion Insights

Figure 1 contains the 15 largest (by market cap) companies that earn a “Strong Beat” or “Strong Miss” Earnings Distortion Score and are expected to report the week of August 3, 2020.

Figure 1: Earnings Distortion Scorecard Highlights: Week of 8/3/20-8/7/20

Company	Ticker	EPS Estimate	Expected Earnings Date	Earnings Distortion Score
Marathon Petroleum	MPC	-\$1.73	8/3/20	Strong Beat
Essex Property Trust	ESS	\$1.08	8/3/20	Strong Miss
Jacobs Engineering Group	J	\$0.99	8/3/20	Strong Miss
Microchip Technology	MCHP	\$1.43	8/4/20	Strong Miss
Alnylam Pharmaceuticals	ALNY	-\$1.50	8/4/20	Strong Miss
Bio-Techne Corp	TECH	\$0.75	8/4/20	Strong Miss
Henry Schein Inc.	HSIC	-\$0.10	8/4/20	Strong Miss
Regeneron Pharmaceuticals	REGN	\$6.00	8/5/20	Strong Miss
Square Inc.	SQ	-\$0.05	8/5/20	Strong Miss
Horizon Therapeutics PLC	HZNP	\$0.31	8/5/20	Strong Miss
Zynga Inc.	ZNGA	\$0.08	8/5/20	Strong Miss
Uber Technologies Inc.	UBER	-\$0.86	8/6/20	Strong Beat
Cardinal Health Inc.	CAH	\$0.90	8/6/20	Strong Beat
NortonLifeLock Inc.	NLOK	\$0.22	8/6/20	Strong Miss
Ubiquiti Inc.	UI	\$1.37	8/7/20	Strong Beat

Sources: New Constructs, LLC and company filings

The appendix shows the Earnings Distortion Scores for all the S&P 500 companies, plus those with market caps greater than \$10 billion, that are expected to report the week of August 3, 2020.

¹ Earnings Distortion scores on ~3,000 stocks are also available to clients of our website.



Details: Marathon Petroleum Corp (MPC): Earnings Distortion Score: Strong Beat

Over the trailing-twelve months (TTM), Marathon Petroleum has -\$9.8 billion in net earnings distortion that cause earnings to be understated by \$14.92/share. Notable unusual expenses [hidden and reported](#) in Marathon Petroleum’s filings include:

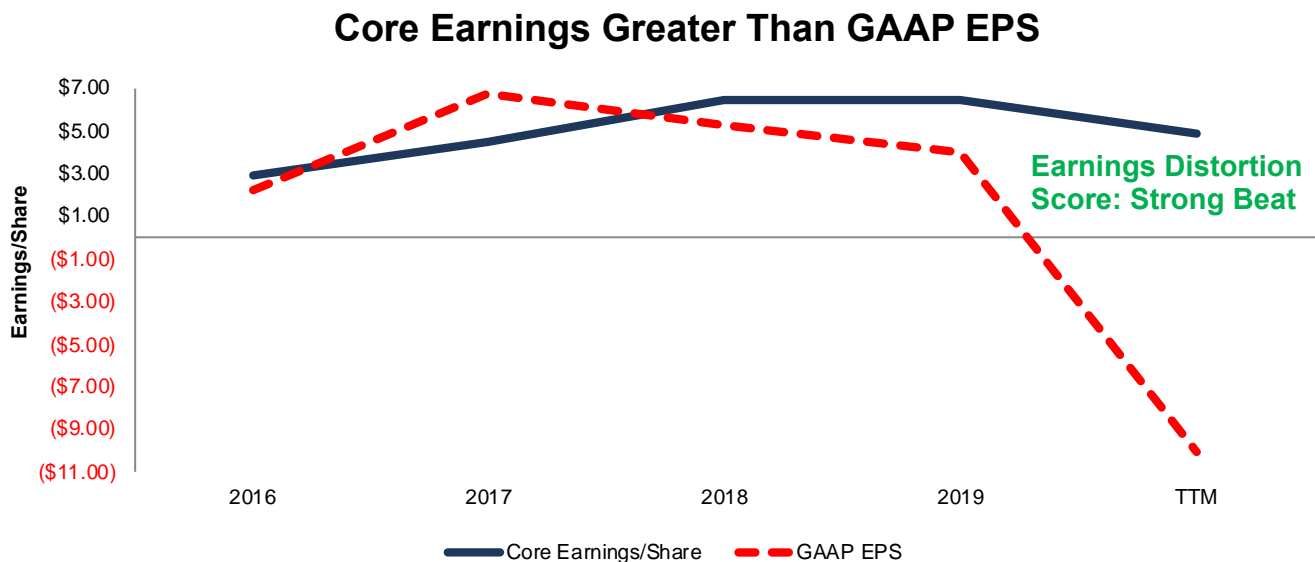
- [\\$7.8 billion](#) impairment expense reported on the income statement – 1Q20 10-Q
- [\\$1.3 billion](#) equity method investment impairment recorded in income (loss) from equity method investments – Page 10 1Q20 10-Q
- [\\$1.2 billion](#) in net interest and other financial costs reported on the income statement – 2019 10-K
- [\\$35 million](#) in transaction related costs associated with the acquisition of Andeavor – Page 15 1Q20 10-Q

In addition, we made a \$1.7 billion adjustment for income tax distortion. This adjustment normalizes reported income taxes by removing the impact of unusual items.

In total, we identified \$14.92/share (149% of GAAP EPS) in net unusual expense that cause Marathon Petroleum’s TTM GAAP results to be understated. After removing this earnings distortion, Marathon Petroleum’s TTM core earnings of \$4.90/share are much greater than GAAP EPS of \$-10.02, per Figure 2.

With understated earnings, Marathon Petroleum gets our “Strong Beat” Earnings Distortion Score and is likely to beat consensus expectations.

Figure 2: Marathon Petroleum Corp Core Earnings Vs. GAAP: 2016 - TTM



Sources: New Constructs, LLC and company filings

Figure 1 shows that Marathon Petroleum is one of four companies that earn our “Strong Beat” score for this week.

How to Make Money with Earnings Distortion Data

“Trading strategies that exploit {adjustments provided by New Constructs} produce abnormal returns of 8% per year.” – Page 1 in [Core Earnings: New Data & Evidence](#)

In Section 5.2, professors from HBS & MIT Sloan present a long/short strategy that holds the stocks with the most understated EPS and shorts the stocks with the most overstated earnings.

This strategy produced abnormal returns of 8% a year. Click [here](#) for more details on our data offerings.



We Provide 100% Audit-ability & Transparency

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.

This article originally published on [July 27, 2020](#).

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

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**Appendix: All Major Companies Expected to Report August 3 – August 7**

Figure 3 shows all the S&P 500 companies, plus those with market caps greater than \$10 billion, that are expected to report the week of August 3, 2020.

Figure 3: Earnings Distortion Scorecard: Week of 8/3/20-8/7/20

Company	Ticker	EPS Estimate	Expected Earnings Date	Earnings Distortion Score
American International Group Inc.	AIG	\$0.51	8/3/20	In-line
Avalara Inc.	AVLR	-\$0.10	8/3/20	Miss
Clorox Co.	CLX	\$1.98	8/3/20	Miss
Essex Property Trust Inc.	ESS	\$1.08	8/3/20	Strong Miss
Evergy Inc.	EVRG	\$0.68	8/3/20	Miss
Diamondback Energy Inc.	FANG	\$0.14	8/3/20	Beat
Global Payments Inc.	GPN	\$1.20	8/3/20	Beat
International Flavors & Fragrances	IFF	\$1.30	8/3/20	In-line
Invitation Homes Inc.	INVH	\$0.06	8/3/20	Miss
Jacobs Engineering Group Inc.	J	\$0.99	8/3/20	Strong Miss
KLA Corp	KLAC	\$2.41	8/3/20	Beat
Marriott International Inc.	MAR	-\$0.42	8/3/20	In-line
McKesson Corp	MCK	\$2.31	8/3/20	Beat
Mosaic Co.	MOS	-\$0.01	8/3/20	Strong Beat
Marathon Petroleum Corp	MPC	-\$1.73	8/3/20	Strong Beat
Realty Income Corp	O	\$0.41	8/3/20	In-line
Peloton Interactive Inc.	PTON	\$0.08	8/3/20	In-line
Regency Centers Corp	REG	\$0.27	8/3/20	Beat
SBA Communications Corp	SBAC	\$0.30	8/3/20	Beat
Steris plc	STE	\$0.96	8/3/20	In-line
Tyson Foods Inc.	TSN	\$0.91	8/3/20	Miss
Take-Two Interactive Software Inc.	TTWO	\$1.60	8/3/20	In-line
Vornado Realty Trust	VNO	\$0.40	8/3/20	Strong Miss
WEC Energy Group Inc.	WEC	\$0.66	8/3/20	Miss
Allstate Corp	ALL	\$1.53	8/4/20	In-line
Alnylam Pharmaceuticals Inc.	ALNY	-\$1.50	8/4/20	Strong Miss
Arista Networks Inc.	ANET	\$1.95	8/4/20	Beat
Activision Blizzard Inc.	ATVI	\$0.67	8/4/20	Miss
Black Knight Inc.	BKI	\$0.46	8/4/20	In-line
Walt Disney Co.	DIS	-\$0.61	8/4/20	In-line
Devon Energy Corp	DVN	-\$0.24	8/4/20	Strong Beat
Emerson Electric Co.	EMR	\$0.60	8/4/20	In-line
Exelon Corp	EXC	\$0.43	8/4/20	In-line
Expeditors International	EXPD	\$0.70	8/4/20	In-line
Fidelity National Information Services	FIS	\$1.09	8/4/20	In-line
FMC Corp	FMC	\$1.66	8/4/20	Beat
Henry Schein Inc.	HSIC	-\$0.10	8/4/20	Strong Miss
HubSpot Inc.	HUBS	\$0.24	8/4/20	Beat
Incyte Corp	INCY	\$0.88	8/4/20	Beat
Leidos Holdings Inc.	LDOS	\$1.08	8/4/20	In-line

Sources: New Constructs, LLC and company filings



Figure 3: Earnings Distortion Scorecard: Week of 8/3/20-8/7/20 (continued)

Company	Ticker	EPS Estimate	Expected Earnings Date	Earnings Distortion Score
Microchip Technology Inc.	MCHP	\$1.43	8/4/20	Strong Miss
Match Group Inc.	MTCH	\$0.45	8/4/20	Beat
Progressive Corp	PGR	\$1.37	8/4/20	Miss
PPL Corp	PPL	\$0.55	8/4/20	In-line
Prudential Financial Inc.	PRU	\$1.73	8/4/20	In-line
Pioneer Natural Resources Co.	PXD	-\$0.11	8/4/20	Beat
Qiagen NV	QGEN	\$0.45	8/4/20	Beat
Ralph Lauren Corp	RL	-\$1.70	8/4/20	In-line
TransDigm Group Inc.	TDG	\$0.92	8/4/20	Beat
Bio-Techne Corp	TECH	\$0.75	8/4/20	Strong Miss
Verisk Analytics Inc.	VRSK	\$1.19	8/4/20	In-line
Warner Music Group Corp	WMG	\$0.04	8/4/20	Miss
Westrock Co	WRK	\$0.44	8/4/20	In-line
Wynn Resorts Ltd	WYNN	-\$4.86	8/4/20	Beat
Zimmer Biomet Holdings Inc.	ZBH	-\$0.75	8/4/20	Beat
AmerisourceBergen Corp	ABC	\$1.56	8/5/20	Miss
Albemarle Corp	ALB	\$0.74	8/5/20	Miss
ANSYS Inc.	ANSS	\$1.16	8/5/20	Miss
Atmos Energy Corp	ATO	\$0.76	8/5/20	In-line
American Water Works Company	AWK	\$0.96	8/5/20	In-line
Booking Holdings Inc.	BKNG	-\$11.54	8/5/20	Beat
BorgWarner Inc.	BWA	-\$0.49	8/5/20	In-line
Cable ONE Inc.	CABO	\$8.88	8/5/20	In-line
CenturyLink Inc.	CTL	\$0.32	8/5/20	In-line
Corteva Inc.	CTVA	\$1.25	8/5/20	Beat
Carvana Co.	CVNA	-\$0.84	8/5/20	Beat
CVS Health Corp	CVS	\$1.90	8/5/20	In-line
Fox Corp	FOXA	\$0.56	8/5/20	Beat
Federal Realty Investment Trust	FRT	\$0.62	8/5/20	Miss
GoDaddy Inc.	GDDY	\$0.15	8/5/20	In-line
Humana Inc.	HUM	\$10.27	8/5/20	Miss
Horizon Therapeutics PLC	HZNP	\$0.31	8/5/20	Strong Miss
Lincoln National Corp	LNC	\$1.48	8/5/20	In-line
Metlife Inc.	MET	\$0.91	8/5/20	In-line
Monster Beverage Corp	MNST	\$0.48	8/5/20	In-line
Marathon Oil Corp	MRO	-\$0.58	8/5/20	In-line
Nielsen Holdings PLC	NLSN	\$0.32	8/5/20	Strong Beat
NRG Energy Inc	NRG	\$1.20	8/5/20	Strong Miss
Perrigo Company PLC	PRGO	\$0.88	8/5/20	In-line
Everest Re Group Ltd	RE	\$1.22	8/5/20	Miss
Regeneron Pharmaceuticals Inc.	REGN	\$6.00	8/5/20	Strong Miss
Roku Inc.	ROKU	-\$0.51	8/5/20	Miss
Square Inc.	SQ	-\$0.05	8/5/20	Strong Miss

Sources: New Constructs, LLC and company filings

**Figure 3: Earnings Distortion Scorecard: Week of 8/3/20-8/7/20 (continued)**

Company	Ticker	EPS Estimate	Expected Earnings Date	Earnings Distortion Score
Wayfair Inc.	W	\$0.80	8/5/20	In-line
Essential Utilities Inc.	WTRG	\$0.22	8/5/20	In-line
Zillow Group Inc.	ZG	-\$0.49	8/5/20	Beat
AES Corp	AES	\$0.24	8/6/20	Beat
Credicorp Ltd	BAP	\$2.19	8/6/20	In-line
Ball Corp	BLL	\$0.56	8/6/20	Beat
Bristol-Myers Squibb Co.	BMY	\$1.48	8/6/20	Beat
Cardinal Health Inc.	CAH	\$0.90	8/6/20	Strong Beat
CenterPoint Energy Inc.	CNP	\$0.21	8/6/20	Beat
Datadog Inc.	DDOG	\$0.01	8/6/20	In-line
DXC Technology Co.	DXC	\$0.12	8/6/20	Strong Beat
EOG Resources Inc.	EOG	-\$0.05	8/6/20	Beat
Epam Systems Inc.	EPAM	\$1.20	8/6/20	Miss
Fleetcor Technologies Inc.	FLT	\$2.23	8/6/20	Miss
Fortinet Inc.	FTNT	\$0.65	8/6/20	Miss
HollyFrontier Corp	HFC	-\$0.58	8/6/20	Beat
Huntington Ingalls Industries Inc.	HII	\$4.17	8/6/20	In-line
Liberty Broadband Corp	LBRDK	\$0.45	8/6/20	In-line
Cheniere Energy Inc.	LNG	\$0.40	8/6/20	In-line
Cloudflare Inc.	NET	-\$0.06	8/6/20	In-line
NortonLifeLock Inc.	NLOK	\$0.22	8/6/20	Strong Miss
News Corp	NWSA	-\$0.09	8/6/20	Strong Beat
Parker-Hannifin Corp	PH	\$1.49	8/6/20	Miss
Pinnacle West Capital Corp	PNW	\$1.42	8/6/20	Miss
Insulet Corp	PODD	\$0.01	8/6/20	Beat
Republic Services Inc.	RSG	\$0.57	8/6/20	Miss
Sealed Air Corp	SEE	\$0.55	8/6/20	Beat
Trade Desk Inc.	TTD	\$0.15	8/6/20	Miss
Uber Technologies Inc.	UBER	-\$0.86	8/6/20	Strong Beat
Kimco Realty Corp	KIM	\$0.09	8/7/20	In-line
Noble Energy Inc.	NBL	-\$0.35	8/7/20	Strong Beat
Ubiquiti Inc.	UI	\$1.37	8/7/20	Strong Beat

Sources: New Constructs, LLC and company filings



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.

HBS & MIT Sloan research reveals that:

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- **Corporate managers hide gains/losses in footnotes to manage earnings.**
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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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