



## Earnings Distortion Scorecard: Week of 11/2/20-11/6/20

For the week of 11/2/20-11/6/20, we focus on the [Earnings Distortion Scores](#) for 118 companies.

Our Earnings Distortion Scores<sup>1</sup> 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 more accurate than “Operating Income After Depreciation” and “Income Before Special Items” from S&P Global (SPGI).

Learn more about the best fundamental research

### 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 November 2, 2020.

**Figure 1: Earnings Distortion Scorecard Highlights: Week of 11/2/20-11/6/20**

Company	Ticker	EPS Estimate	Expected Earnings Date	Earnings Distortion Score
Marathon Petroleum Corp	MPC	-\$1.43	11/2/20	Strong Beat
Horizon Therapeutics	HZNP	\$0.94	11/2/20	Strong Miss
Healthpeak Properties	PEAK	\$0.01	11/2/20	Strong Miss
Henry Schein, Inc.	HSIC	\$0.75	11/2/20	Strong Miss
Match Group Inc.	MTCH	\$0.44	11/4/20	Strong Beat
GoDaddy Inc.	GDDY	\$0.33	11/4/20	Strong Beat
Expedia Group Inc.	EXPE	-\$0.71	11/4/20	Strong Beat
Uber Technologies Inc.	UBER	-\$0.65	11/5/20	Strong Beat
Cardinal Health, Inc.	CAH	\$1.12	11/5/20	Strong Beat
Regeneron Pharmaceuticals	REGN	\$7.12	11/5/20	Strong Miss
Electronic Arts, Inc.	EA	\$0.04	11/5/20	Strong Miss
Sempra Energy	SRE	\$1.48	11/5/20	Strong Miss
The Trade Desk Inc	TTD	\$0.42	11/5/20	Strong Miss
Microchip Technology, Inc.	MCHP	\$1.42	11/5/20	Strong Miss
Ubiquiti Inc.	UI	\$1.45	11/6/20	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 November 2, 2020.

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

Over the trailing-twelve months (TTM), Marathon Petroleum has -\$10.1 billion in net earnings distortion that cause earnings to be understated by -\$15.43/share or 131% of EPS. 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 – Page 10 1Q20 10-Q
- [\\$47 million](#) in acquisition costs – Page 108 2019 10-K

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



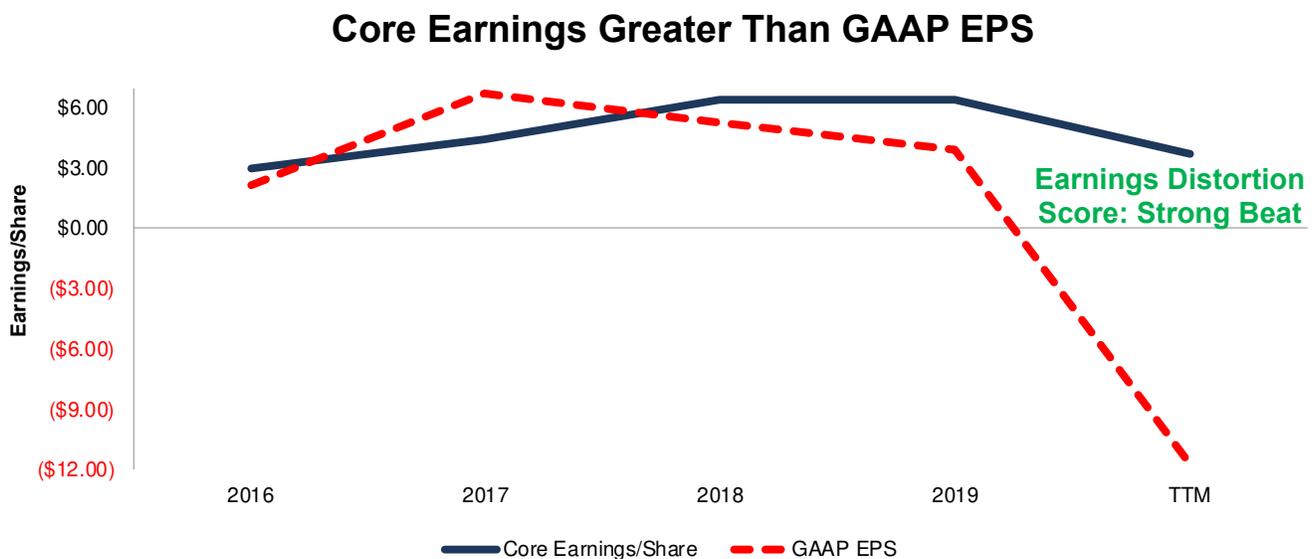
- [\\$35 million](#) in transaction related costs – Page 15 1Q20 10-Q
- [\\$30 million](#) in transaction-related costs – Page 17 2Q20 10-Q
- [\\$22 million](#) litigation costs – Page 115 2019 10-K

These expenses are partially offset by a [\\$307 million](#) gain on disposal of assets reported on the income statement of the firm’s 2019 10-K. In addition, we made a \$1.5 billion adjustment for income tax distortion. This adjustment normalizes reported income taxes by removing the impact of unusual items.

In total, we identified -\$15.43/share (131% 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 \$3.68/share are much greater than GAAP EPS of -\$11.75, per Figure 2.

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

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



Sources: New Constructs, LLC and company filings

Figure 1 shows that Marathon Petroleum is one of seven 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 [October 26, 2020](#).*

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

*Follow us on [Twitter](#), [Facebook](#), [LinkedIn](#), and [StockTwits](#) for real-time alerts on all our research.*

**Appendix: All Major Companies Expected to Report November 2 – 6**

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 November 2, 2020.

**Figure 3: Earnings Distortion Scorecard: Week of 11/2/20-11/6/20**

Company	Ticker	EPS Estimate	Expected Earnings Date	Earnings Distortion Score
Marathon Petroleum Corp	MPC	-\$1.43	11/2/20	Strong Beat
Mosaic Company	MOS	\$0.17	11/2/20	Strong Beat
Diamondback Energy Inc.	FANG	\$0.40	11/2/20	Strong Beat
SBA Communications Corporation	SBAC	\$0.45	11/2/20	Beat
SYSCO Corporation	SYU	\$0.25	11/2/20	Beat
Williams Companies, Inc.	WMB	\$0.27	11/2/20	Beat
SolarEdge Technologies Inc	SEDG	\$0.81	11/2/20	Beat
FMC Corporation	FMC	\$1.11	11/2/20	Beat
NiSource Inc.	NI	\$0.02	11/2/20	Beat
Waste Management, Inc.	WM	\$1.01	11/2/20	In-line
Skyworks Solutions, Inc.	SWKS	\$1.52	11/2/20	In-line
Realty Income Corp	O	\$0.35	11/2/20	In-line
FirstEnergy Corporation	FE	\$0.76	11/2/20	In-line
Arista Networks Inc.	ANET	\$2.21	11/2/20	In-line
STERIS	STE	\$1.27	11/2/20	In-line
International Flavors & Fragrances	IFF	\$1.46	11/2/20	In-line
Jack Henry & Associates, Inc.	JKHY	\$1.05	11/2/20	In-line
Assurant Inc.	AIZ	\$1.66	11/2/20	In-line
Vornado Realty Trust	VNO	\$0.14	11/2/20	In-line
Leggett & Platt, Inc.	LEG	\$0.71	11/2/20	In-line
Marriott International, Inc.	MAR	-\$0.06	11/2/20	Miss
Consolidated Edison, Inc.	ED	\$1.52	11/2/20	Miss
The Clorox Company	CLX	\$2.33	11/2/20	Miss
Fair Isaac Corp	FICO	\$2.32	11/2/20	Miss
Leidos Holdings Inc.	LDOS	\$1.24	11/2/20	Miss
Horizon Therapeutics PLC.	HZNP	\$0.94	11/2/20	Strong Miss
Healthpeak Properties Inc.	PEAK	\$0.01	11/2/20	Strong Miss
Henry Schein, Inc.	HSIC	\$0.75	11/2/20	Strong Miss
Emerson Electric Company	EMR	\$0.94	11/3/20	Beat
McKesson Corporation	MCK	\$3.87	11/3/20	Beat
Fox Corp	FOXA	\$0.66	11/3/20	Beat
HubSpot, Inc.	HUBS	\$0.13	11/3/20	Beat
The Progressive Corp	PGR	\$1.46	11/3/20	In-line
Johnson Controls International	JCI	\$0.73	11/3/20	In-line
Eversource Energy	ES	\$1.03	11/3/20	In-line
Wayfair, Inc.	W	\$0.79	11/3/20	In-line
Prudential Financial, Inc.	PRU	\$2.70	11/3/20	In-line
PPL Corporation	PPL	\$0.61	11/3/20	In-line
Expeditors International	EXPD	\$0.97	11/3/20	In-line
Catalent, Inc.	CTLT	\$0.37	11/3/20	In-line

Sources: New Constructs, LLC and company filings

**Figure 3: Earnings Distortion Scorecard: Week of 11/2/20-11/6/20 (continued)**

Company	Ticker	EPS Estimate	Expected Earnings Date	Earnings Distortion Score
Essential Utilities Inc.	WTRG	\$0.23	11/3/20	In-line
Mylan Inc.	MYL	\$1.17	11/3/20	In-line
Humana Inc.	HUM	\$2.80	11/3/20	Miss
Zebra Technologies Corp	ZBRA	\$2.81	11/3/20	Miss
Match Group Inc.	MTCH	\$0.44	11/4/20	Strong Beat
GoDaddy Inc.	GDDY	\$0.33	11/4/20	Strong Beat
Expedia Group Inc.	EXPE	-\$0.71	11/4/20	Strong Beat
Baidu Inc.	BIDU	\$2.13	11/4/20	Beat
Insulet Corporation	PODD	\$0.08	11/4/20	Beat
Pioneer Natural Resources	PXD	\$0.38	11/4/20	Beat
Qiagen N.V.	QGEN	\$0.56	11/4/20	Beat
Wynn Resorts, Ltd.	WYNN	-\$3.84	11/4/20	Beat
Marathon Oil Corp	MRO	-\$0.27	11/4/20	Beat
Public Storage	PSA	\$1.69	11/4/20	In-line
MetLife Inc.	MET	\$1.64	11/4/20	In-line
Verisk Analytics Inc.	VRSK	\$1.20	11/4/20	In-line
Allstate Corp	ALL	\$1.59	11/4/20	In-line
Corteva Inc.	CTVA	-\$0.42	11/4/20	In-line
FleetCor Technologies Inc.	FLT	\$2.66	11/4/20	In-line
Ameren Corporation	AEE	\$1.53	11/4/20	In-line
Qorvo Inc.	QRVO	\$2.10	11/4/20	In-line
Extra Space Storage, Inc.	EXR	\$0.78	11/4/20	In-line
Lincoln National Corp	LNC	\$2.22	11/4/20	In-line
Perrigo Company, PLC	PRGO	\$0.85	11/4/20	In-line
QUALCOMM Inc.	QCOM	\$1.17	11/4/20	Miss
WEC Energy Group	WEC	\$0.76	11/4/20	Miss
ANSYS Inc.	ANSS	\$1.26	11/4/20	Miss
Hologic Inc.	HOLX	\$1.20	11/4/20	Miss
Alliant Energy Corp	LNT	\$0.90	11/4/20	Miss
Albemarle Corporation	ALB	\$0.78	11/4/20	Miss
CF Industries Holdings, Inc.	CF	\$0.09	11/4/20	Miss
Host Hotels & Resorts, Inc.	HST	-\$0.43	11/4/20	Strong Miss
Uber Technologies Inc.	UBER	-\$0.65	11/5/20	Strong Beat
Cardinal Health, Inc.	CAH	\$1.12	11/5/20	Strong Beat
News Corporation	NWSA	-\$0.02	11/5/20	Strong Beat
DXC Technology Company	DXC	\$0.38	11/5/20	Strong Beat
Nielsen N.V.	NLSN	\$0.40	11/5/20	Strong Beat
Norwegian Cruise Line Holdings	NCLH	-\$2.24	11/5/20	Strong Beat
Bristol Myers Squibb Company	BMJ	\$1.49	11/5/20	Beat
Becton Dickinson & Company	BDX	\$2.52	11/5/20	Beat
Ball Corporation	BLL	\$0.77	11/5/20	Beat
Zillow Group, Inc.	ZG	\$0.11	11/5/20	Beat
EOG Resources, Inc.	EOG	\$0.15	11/5/20	Beat

Sources: New Constructs, LLC and company filings

**Figure 3: Earnings Distortion Scorecard: Week of 11/2/20-11/6/20 (continued)**

Company	Ticker	EPS Estimate	Expected Earnings Date	Earnings Distortion Score
CenterPoint Energy, Inc.	CNP	\$0.29	11/5/20	Beat
Dentsply Sirona, Inc.	XRAY	\$0.29	11/5/20	Beat
Regency Centers Corp	REG	\$0.21	11/5/20	Beat
HollyFrontier Corp	HFC	-\$0.43	11/5/20	Beat
Cigna Holding Co	CI	\$4.24	11/5/20	In-line
Monster Beverage Corp	MNST	\$0.63	11/5/20	In-line
Vulcan Materials Company	VMC	\$1.63	11/5/20	In-line
Epam Systems Inc.	EPAM	\$1.46	11/5/20	In-line
Cloudflare Inc.	NET	-\$0.05	11/5/20	In-line
DISH Network Corp	DISH	\$0.69	11/5/20	In-line
Evergy Inc.	EVRG	\$1.61	11/5/20	In-line
Credicorp, Ltd.	BAP	\$1.22	11/5/20	In-line
WestRock Company	WRK	\$0.68	11/5/20	In-line
Guardant Health Inc.	GH	-\$0.39	11/5/20	In-line
Huntington Ingalls Industries	HII	\$4.13	11/5/20	In-line
Square, Inc.	SQ	\$0.16	11/5/20	Miss
Booking Holdings Inc.	BKNG	\$14.42	11/5/20	Miss
ROKU, Inc.	ROKU	-\$0.41	11/5/20	Miss
AmerisourceBergen Corp	ABC	\$1.85	11/5/20	Miss
Avalara, Inc.	AVLR	-\$0.09	11/5/20	Miss
Cable ONE Inc	CABO	\$10.86	11/5/20	Miss
Federal Realty Investment Trust	FRT	\$0.39	11/5/20	Miss
Regeneron Pharmaceuticals, Inc.	REGN	\$7.12	11/5/20	Strong Miss
Electronic Arts, Inc.	EA	\$0.04	11/5/20	Strong Miss
Sempra Energy	SRE	\$1.48	11/5/20	Strong Miss
The Trade Desk	TTD	\$0.42	11/5/20	Strong Miss
Microchip Technology, Inc.	MCHP	\$1.42	11/5/20	Strong Miss
NRG Energy, Inc.	NRG	\$1.21	11/5/20	Strong Miss
Kimco Realty Corp	KIM	\$0.06	11/5/20	Strong Miss
Ubiquiti Inc.	UI	\$1.45	11/6/20	Strong Beat
The Hershey Company	HSY	\$1.70	11/6/20	Beat
Zimmer Biomet Holdings, Inc.	ZBH	\$1.06	11/6/20	Beat
The AES Corp	AES	\$0.47	11/6/20	Beat
Elanco Animal Health Inc.	ELAN	\$0.15	11/6/20	Beat
CVS Health Corp	CVS	\$1.32	11/6/20	In-line

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:

- **Markets are inefficiently assessing earnings because no one reads the footnotes.**
- **Corporate managers hide gains/losses in footnotes to manage earnings.**
- **Our technology brings the material footnotes data to market for the first time ever.**

Combining human expertise with NLP/ML/AI technologies ([featured by Harvard Business School](#)), we shine a light in the dark corners (e.g. footnotes) of hundreds of thousands of financial filings to unearth critical details.

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*



## ***DISCLOSURES***

New Constructs®, LLC (together with any subsidiaries and/or affiliates, "New Constructs") is an independent organization with no management ties to the companies it covers. None of the members of New Constructs' management team or the management team of any New Constructs' affiliate holds a seat on the Board of Directors of any of the companies New Constructs covers. New Constructs does not perform any investment or merchant banking functions and does not operate a trading desk.

New Constructs' Stock Ownership Policy prevents any of its employees or managers from engaging in Insider Trading and restricts any trading whereby an employee may exploit inside information regarding our stock research. In addition, employees and managers of the company are bound by a code of ethics that restricts them from purchasing or selling a security that they know or should have known was under consideration for inclusion in a New Constructs report nor may they purchase or sell a security for the first 15 days after New Constructs issues a report on that security.

## ***DISCLAIMERS***

The information and opinions presented in this report are provided to you for information purposes only and are not to be used or considered as an offer or solicitation of an offer to buy or sell securities or other financial instruments. New Constructs has not taken any steps to ensure that the securities referred to in this report are suitable for any particular investor and nothing in this report constitutes investment, legal, accounting or tax advice. This report includes general information that does not take into account your individual circumstance, financial situation or needs, nor does it represent a personal recommendation to you. The investments or services contained or referred to in this report may not be suitable for you and it is recommended that you consult an independent investment advisor if you are in doubt about any such investments or investment services.

Information and opinions presented in this report have been obtained or derived from sources believed by New Constructs to be reliable, but New Constructs makes no representation as to their accuracy, authority, usefulness, reliability, timeliness or completeness. New Constructs accepts no liability for loss arising from the use of the information presented in this report, and New Constructs makes no warranty as to results that may be obtained from the information presented in this report. Past performance should not be taken as an indication or guarantee of future performance, and no representation or warranty, express or implied, is made regarding future performance. Information and opinions contained in this report reflect a judgment at its original date of publication by New Constructs and are subject to change without notice. New Constructs may have issued, and may in the future issue, other reports that are inconsistent with, and reach different conclusions from, the information presented in this report. Those reports reflect the different assumptions, views and analytical methods of the analysts who prepared them and New Constructs is under no obligation to insure that such other reports are brought to the attention of any recipient of this report.

New Constructs' reports are intended for distribution to its professional and institutional investor customers. Recipients who are not professionals or institutional investor customers of New Constructs should seek the advice of their independent financial advisor prior to making any investment decision or for any necessary explanation of its contents.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would be subject New Constructs to any registration or licensing requirement within such jurisdiction.

This report may provide the addresses of websites. Except to the extent to which the report refers to New Constructs own website material, New Constructs has not reviewed the linked site and takes no responsibility for the content therein. Such address or hyperlink (including addresses or hyperlinks to New Constructs own website material) is provided solely for your convenience and the information and content of the linked site do not in any way form part of this report. Accessing such websites or following such hyperlink through this report shall be at your own risk.

All material in this report is the property of, and under copyright, of New Constructs. None of the contents, nor any copy of it, may be altered in any way, copied, or distributed or transmitted to any other party without the prior express written consent of New Constructs. All trademarks, service marks and logos used in this report are trademarks or service marks or registered trademarks or service marks of New Constructs.

Copyright New Constructs, LLC 2003 through the present date. All rights reserved.