



It's Official: We Offer the Best Fundamental Data in the World

We have excellent news.

The [Journal of Financial Economics](#) published [Core Earnings: New Data & Evidence](#), which reveals:

1. Legacy fundamental datasets suffer from significant inaccuracies, omissions and biases.
2. Only our “novel database” enables investors to overcome those flaws and apply [reliable](#) fundamental data in their research.
3. Our proprietary measures of [Core Earnings](#) and [Earnings Distortion](#) materially improve stock picking and forecasting of profits.

[Learn more about the best fundamental research](#)

Now, all investors, not just Wall Street insiders, can properly assess corporate profits after excluding the unusual gains and losses that companies bury in footnotes, which legacy earnings measures, such as [I/B/E/S Street Earnings](#) or [S&P Global's](#) (SPGI) Operating Earnings, miss.

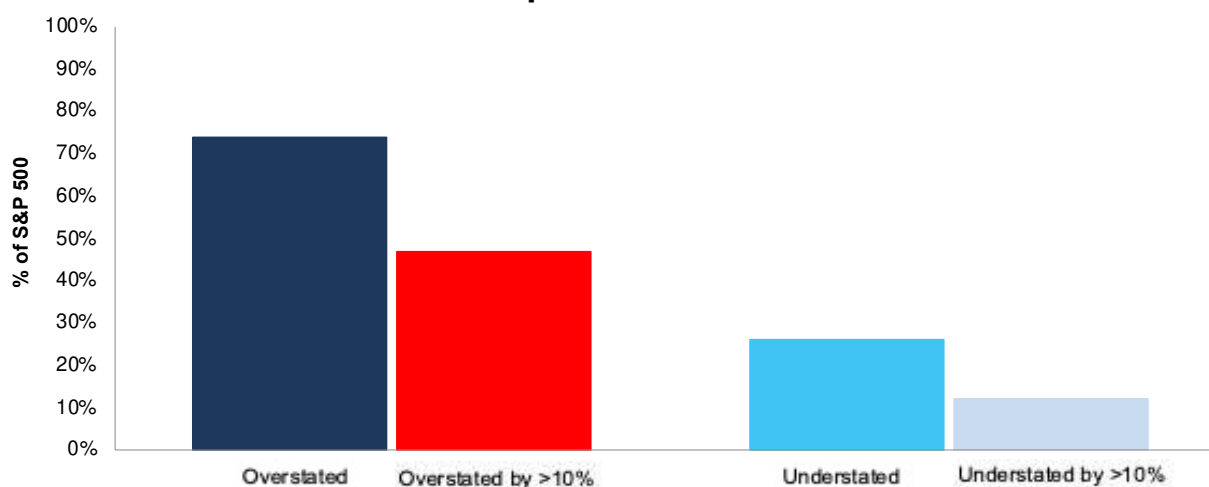
47% of the S&P 500 Firms Overstate EPS by >10%

Using our more reliable fundamental data, we find that 74% of S&P 500 companies have overstated Street Earnings per share, and 26% have understated Street Earnings per share over the trailing twelve months ended calendar 1Q21¹.

47% of S&P 500 companies have overstated EPS compared to our Core EPS by more than 10%, while 12% of S&P 500 companies have understated EPS by more than 10%. When companies overstate EPS, they do so by an average of 31%. When they understate EPS, they do so by an average of 55%.

Figure 1: Street Earnings for the S&P 500 Are Materially Misleading

74% of S&P 500 Companies Have Overstated Street EPS



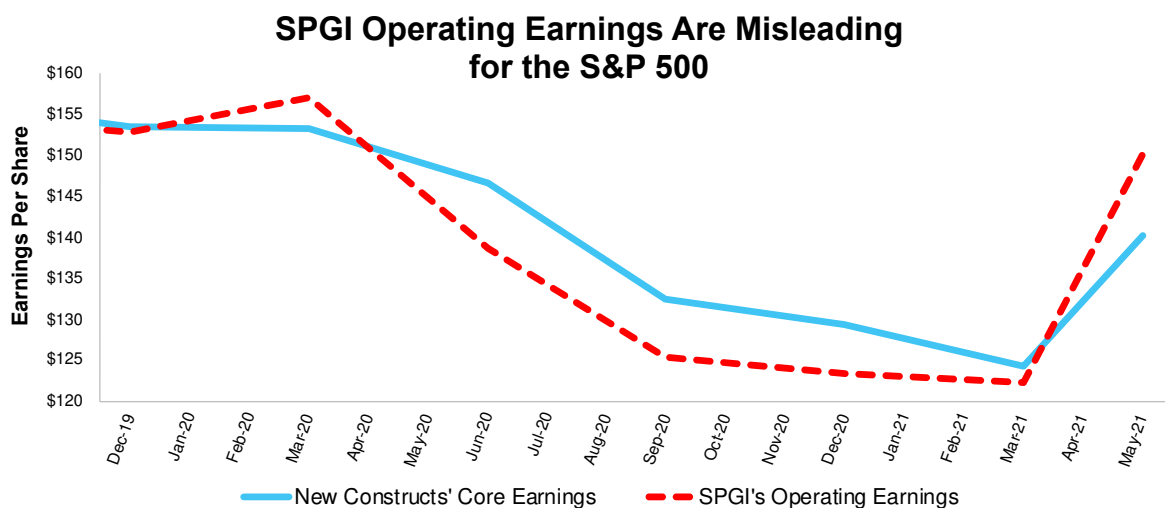
Sources: New Constructs, LLC and company filings.

¹ The most recent Core Earnings and Street Earnings values are based on the latest audited financial data from calendar 1Q21 10-Qs.

**SPGI's Operating Earnings Are Misleading, Too**

Per Figure 2 (from our review of [1Q21 Core Earnings for the S&P 500](#)), SPGI's Operating Earnings exaggerated the drop in profitability during 2020 and are overstating the rebound in S&P 500 earnings over the last 18 months. [I/B/E/S Street Earnings](#) show a similar trend as more companies have overstated Street EPS estimates than understated Street EPS estimates.

Figure 2: Core Earnings vs. SPGI Operating Earnings: December 2019 to Present (through 5/19/21²)



Sources: New Constructs, LLC and company filings.

More Reliable Fundamental Data

Most investors were not aware that legacy fundamental datasets suffer from [significant flaws](#) when compared to [Core Earnings](#)³ until the publication of [Core Earnings: New Data and Evidence](#).

The authors, professors from Harvard Business School and MIT Sloan, invested years of research into the paper. After it was rigorously reviewed by experts, The Journal of Financial Economics, a top-three peer-reviewed journal in the world, selected it for publication.

With the [100% transparency](#) of our models, the authors could unequivocally demonstrate the differences in our data and models versus legacy firms. We eagerly share the unrivalled rigor of our research.

The paper also highlights the difficulty in collecting critical data from the footnotes and the MD&A. It underscores the unrivaled efficacy of our Robo-Analyst technology for intelligently analyzing complex financial statements and disclosures at unprecedented scale.

Harvard Business School and MIT Sloan are not the only institutions to write papers on our more reliable data and research. Find more papers [here](#).

Sign up for our research [here](#) (individuals). Pros can sign up [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.

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

² The earliest date that the 1Q21 10-Qs for all S&P 500 constituents were available.

³ As proven in [Core Earnings: New Data & Evidence](#), a paper in [The Journal of Financial Economics](#), only Core Earnings enable investors to overcome the flaws in legacy fundamental data and research.



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Many firms claim their research is superior, but none of them can prove it with independent studies from highly-respected institutions as we can. Three different papers from both the public and private sectors show:

1. Legacy fundamental datasets suffer from significant inaccuracies, omissions and biases.
2. Only our “novel database” enables investors to overcome these flaws and apply [reliable](#) fundamental data in their research.
3. Our proprietary measures of [Core Earnings](#) and [Earnings Distortion](#) materially improve stock picking and forecasting of profits.

Best Fundamental Data in the World

Forthcoming in [The Journal of Financial Economics](#), a top peer-reviewed journal, [Core Earnings: New Data & Evidence](#) proves our Robo-Analyst technology overcomes material shortcomings in legacy firms' data collection processes to provide superior [fundamental data](#), [earnings](#) models, and [research](#). More [details](#).

Key quotes from the paper:

- “[New Constructs’] *Total Adjustments* differs significantly from the items identified and excluded from Compustat’s adjusted earnings measures. For example... 50% to 70% of the variation in *Total Adjustments* is not explained by *S&P Global’s (SPGI) Adjustments* individually.” – pp. 14, 1st para.
- “A final source of differences [between New Constructs’ and S&P Global’s data] is due to data collection oversights...we identified cases where Compustat did not collect information relating to firms’ income that is useful in assessing core earnings.” – pp. 16, 2nd para.

Superior Models

A top accounting firm features the superiority of our ROIC, NOPAT and Invested Capital research to Capital IQ & Bloomberg’s in [Getting ROIC Right](#). See the [Appendix](#) for direct comparison details.

Key quotes from the paper:

- “...an accurate calculation of ROIC requires more diligence than often occurs in some of the common, off-the-shelf ROIC calculations. Only by scouring the footnotes and the MD&A [as New Constructs does] can investors get an accurate calculation of ROIC.” – pp. 8, 5th para.
- “The majority of the difference...comes from New Constructs’ machine learning approach, which leverages technology to calculate ROIC by applying accounting adjustments that may be buried deeply in the footnotes across thousands of companies.” – pp. 4, 2nd para.

Superior Stock Ratings

Robo-Analysts’ stock ratings outperform those from human analysts as shown in this [paper](#) from Indiana’s Kelley School of Business. Bloomberg features the paper [here](#).

Key quotes from the paper:

- “the portfolios formed following the buy recommendations of Robo-Analysts earn abnormal returns that are statistically and economically significant.” – pp. 6, 3rd para.
- “Our results ultimately suggest that Robo-Analysts are a valuable, alternative information intermediary to traditional sell-side analysts.” – pp. 20, 3rd para.

Our mission is to provide the best fundamental analysis of public and private businesses in the world and make it affordable for all investors, not just Wall Street insiders.

We believe every investor deserves to know the whole truth about the profitability and valuation of any company they consider for investment. More details on our cutting-edge technology and how we use it are [here](#).



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