



Credit Ratings Updates

A quick reminder that all members can now access our Credit Ratings and research for all companies under coverage. And, two updates:

1. Clients can now download PDF reports detailing our Credit Ratings. Sample report [here](#).
2. We tweaked our Credit Rating scoring to reflect changing economic conditions.

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

The Value-Add of our Credit Ratings

Our Credit Ratings are different than ratings from legacy credit research firms because we use our proprietary [Adjusted Fundamentals](#) instead of unscrubbed data, which is [proven to be flawed](#) by [The Journal of Financial Economics](#). Accordingly, our Credit Ratings more accurately measure a firm's leverage, liquidity, interest coverage, and overall creditworthiness.

Our Credit Ratings also differ from legacy providers' ratings as follows:

1. More coverage: credit ratings for 2,750+ companies.
2. Daily updates: all ratings reviewed daily based on market events and new financial data.
3. Unbiased: New Constructs is 100% independent and has no conflicts of interest with research clients and is not paid by companies or bankers for credit or equity ratings.

"Better data drives better models, especially for Credit Ratings. Most investors are unaware of the problems with legacy data and ratings," said David Trainer, CEO of New Constructs. "Our new Credit Ratings reveal the magnitude of the problems and the benefits of fixing them."

How To Access our Credit Ratings

Members can get our Credit Ratings on the Portfolios, Ratings, and Screeners pages.

Portfolios page: expand the rating details in the first column of any stock in your Portfolio, and then click the "Switch to Credit Rating" button. See Figure 1.

Figure 1: Credit Rating for All Stocks in Your Portfolio

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Upgrade Education Research **Portfolios** Ratings Screeners Data

Portfolio: My Portfolio (default)

Enter tickers here.

Add

Gold Membership
1 Portfolio
25 Tickers

Adds/Changes Available
24
Resets to 25 on 02/03/21

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Ticker	Name	Type	Sector / Style	Mkt Val / AUM ¹	Div Yield	Risk/Reward Rating ▲	ROIC	FCF Yield	Price to EBV	GAP	Analyst Notes ²	Earnings Distortion Score ³
AAON	AAON Inc.	Stock	Industrials	\$3,426	0.6%	Neutral	24%	1%	2.4	> 100	Nov 09, 2020	In-Line

Stock Ratings Methodology

AAON Inc. (AAON)
Closing Price: \$65.57 (Nov 10, 2020)
Market Value: \$3.4 Billion
Dividend Yield: 0.6%
Sector: Industrials

Earnings Distortion Score : In-Line

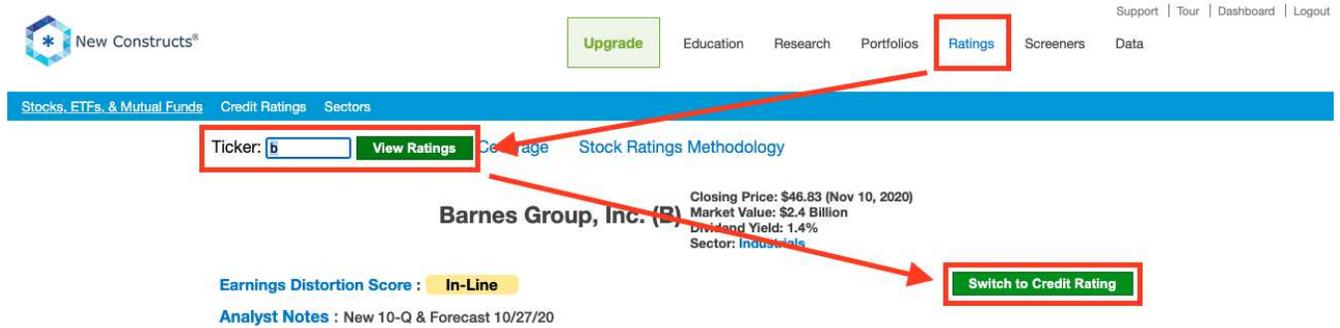
Analyst Notes : New 10-Q & Forecast 11/9/20

Switch to Credit Rating

Sources: New Constructs, LLC

Ratings page: enter any stock ticker and click the “Switch to Credit Rating” button to view the Credit Rating. See Figure 2.

Figure 2: Credit Ratings on the Ratings Page



Sources: New Constructs, LLC

You can also click “Credit Ratings” from the blue menu bar, enter a ticker and get our Credit Rating. See Figure 3.

Figure 3: Credit Ratings on the Ratings Page Menu Bar



Sources: New Constructs, LLC

Stock Screeners page: click the “+” in the Details column and then the “Switch to Credit Rating” button to view the Credit Rating. See Figure 4.



Figure 4: Credit Ratings on the Screeners Page

The screenshot shows the 'Screeners' page on the New Constructs website. The 'Screeners' tab is highlighted in red. Below the navigation bar, there are filters for 'Price', 'Dividend Yield', 'Sector', 'Market Value', and 'Index'. A table displays search results for C&F Financial Corp (CFFI). The table has columns for Details, Ticker, Name, Sector, Price, Mkt Val, Div Yield, Risk/Reward Rating, ROIC, FCF Yield, Price to EBV, GAP, Analyst Notes, and Add To Portfolio. The 'Risk/Reward Rating' for CFFI is 'Very Attractive'. A red arrow points from the 'Details' column to a 'Switch to Credit Rating' button. Below the table, there is a section for 'C&F Financial Corp (CFFI)' with details like Closing Price, Market Value, Dividend Yield, and Sector. An 'Earnings Distortion Score' is shown as 'In-Line'. A 'Stock Ratings Methodology' link is also present.

Details	Ticker	Name	Sector	Price ¹	Mkt Val ²	Div Yield	Risk/Reward Rating ▲	ROIC	FCF Yield	Price to EBV	GAP	Analyst Notes Updated ³	Add To Portfolio + Add All
⊖	CFFI	C&F Financial Corp	Financials	\$35.78	\$131	4.2%	Very Attractive	🔒	🔒	🔒	🔒	Nov 05, 2020	+

C&F Financial Corp (CFFI)
 Closing Price: \$35.78 (Nov 10, 2020)
 Market Value: \$131 Million
 Dividend Yield: 4.2%
 Sector: Financials

Earnings Distortion Score: **In-Line**

[Stock Ratings Methodology](#)

[Switch to Credit Rating](#)

Sources: New Constructs, LLC

More Credit Rating Research & Reports

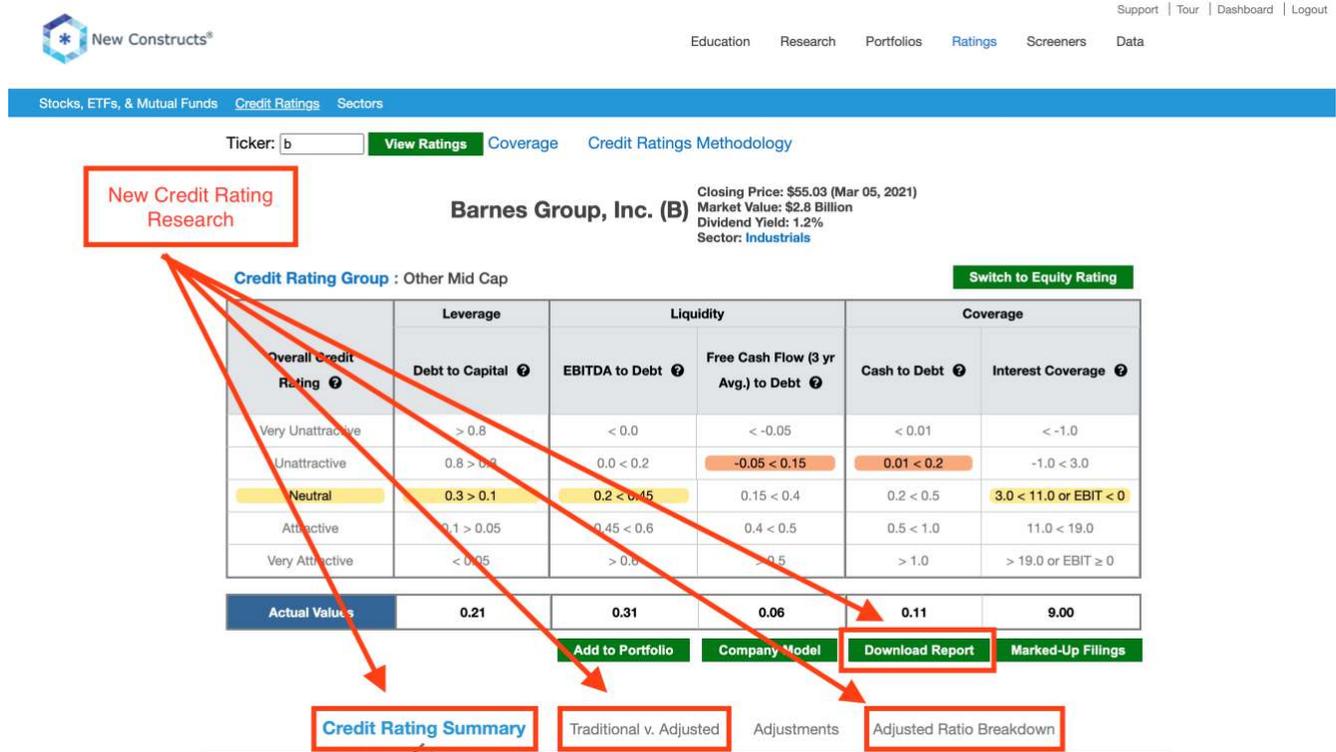
We provide additional Credit Rating research:

1. A [5-page report](#) on the Credit Rating with comparisons of our Adjusted ratios to Traditional ratios,
2. A Credit Rating Summary,
3. Comparisons of Traditional v. Adjusted Ratios, and
4. Adjusted Ratio Breakdowns to show how we calculate each ratio.

This research is available to all members on their Portfolios page, to Platinum and higher members on the Ratings page, and to Unlimited and higher members on the Screeners pages. See Figure 5.



Figure 5: More Credit Rating Research Below Credit Rating Table

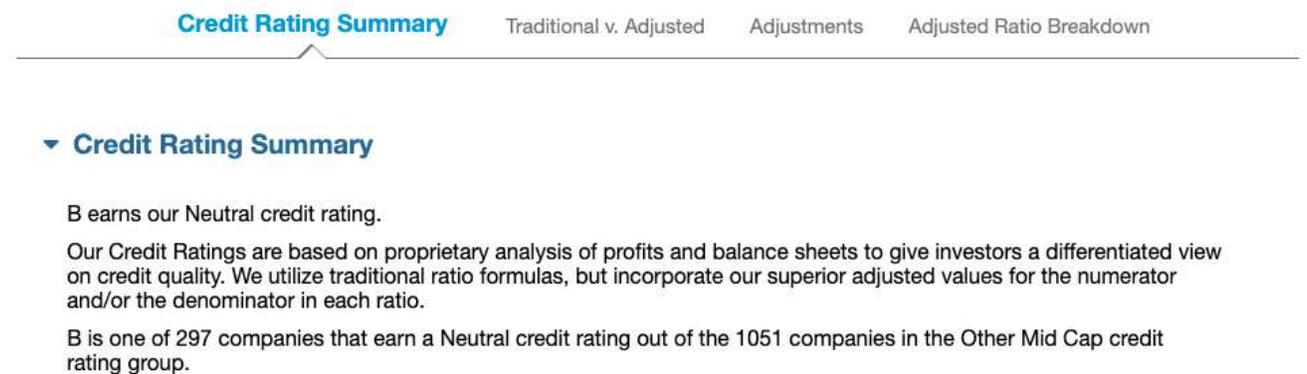


Sources: New Constructs, LLC

Credit Rating Summary Tab

Get a brief summary of our Overall Credit Rating and details on where each company ranks versus peers in its credit rating group. See Figure 6.

Figure 6: Credit Ratings Summary Details



Sources: New Constructs, LLC



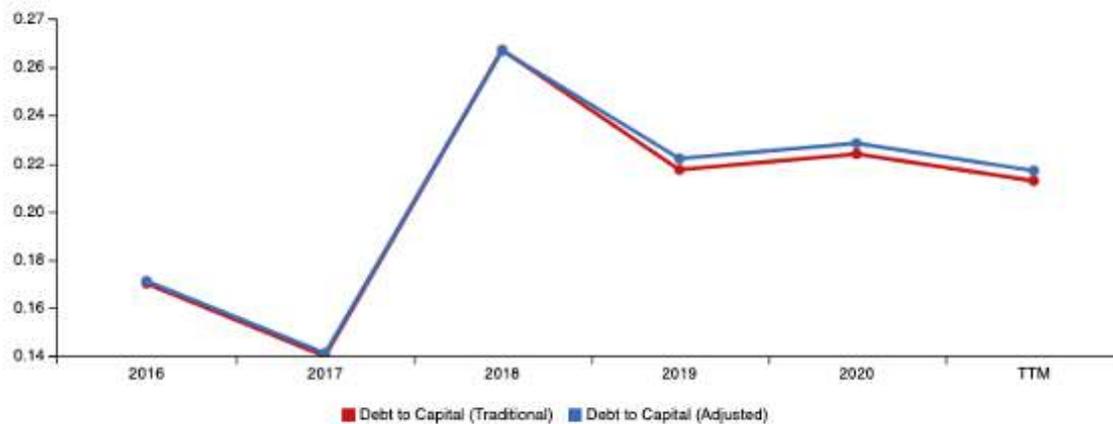
Traditional V. Adjusted Tab

We compare the traditional and adjusted versions of our five Credit Rating ratios over the last 5 years in charts, and we highlight the biggest adjustments which differentiate our adjusted ratios from traditional. See Figure 7 for a sample of this research for the Debt to Capital ratio.

Figure 7: Credit Ratings Traditional v. Adjusted Ratio Details

Credit Rating Summary **Traditional v. Adjusted** Adjustments Adjusted Ratio Breakdown

▼ Debt to Capital - Traditional v. Adjusted



	2016	2017	2018	2019	2020	Current/TTM
Debt to Capital (Traditional)	0.17	0.14	0.26	0.22	0.22	0.21
Debt to Capital (Adjusted)	0.17	0.14	0.26	0.22	0.23	0.22

Adjusted Debt to Capital is **Neutral**

Debt to Capital is a leverage ratio that measures how much debt a company has relative to its Total Capital. It equals a company's interest bearing debt divided by Total Capital. Total Capital equals all debt plus market value of equity and preferred stock. A high Debt to Capital suggests a company's credit quality is poor because it carries more debt relative to other capital sources than other companies. A low Debt to Capital ratio suggests the opposite.

Adjusted Debt to Capital leverages our proprietary analysis of debt and capital. Our adjusted debt calculation accounts for the fair value of debt, [off-balance sheet debt](#), and [management assumptions that distort reported debt](#).

B has an Adjusted Debt to Capital of 0.22 compared to a Traditional Debt to Capital of 0.21 over the trailing twelve months.

▶ EBITDA to Debt - Traditional v. Adjusted

▶ Free Cash Flow (3yr avg.) to Debt - Traditional v. Adjusted

▶ Cash to Debt - Traditional v. Adjusted

▶ Interest Coverage - Traditional v. Adjusted



Adjustments Tab

The research here is the same as what you see for our Stock Ratings.

Adjusted Ratio Breakdown Tab

We present the values and a five-year chart for each of the components of the Credit Rating ratios. For example, as shown in Figure 8, we provide the values for the adjusted debt and adjusted capital, which we use to calculate the Adjusted Debt to Capital ratio. We provide the same granularity for each Credit Rating ratio.

Figure 8: Credit Ratings Adjusted Ratio Breakdown Details



Sources: New Constructs, LLC



This article originally published on [March 10, 2021](#).

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

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

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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