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POSITION UPDATE 4/25/22

Position Close Update: Diebold Nixdorf (DBD)

Diebold Nixdorf (DBD) – Closing Short Position – down 73% vs. S&P up 65%

We put Diebold Nixdorf (DBD: $5/share) in the Danger Zone on November 20, 2017. DBD earned an Unattractive rating at the time of the report. We felt the acquisition of Wincor Nixdorf, to create the largest maker of automated teller machines (ATMs) was not accretive, but rather destructive to shareholders. This acquisition, along with declining net operating profit after-tax (NOPAT), declining return on invested capital (ROIC), and an overvalued stock price made owning DBD a poor risk/reward proposition.

This report, along with all of our research[1], leverages our more reliable fundamental data[2] to provide a new source of alpha.

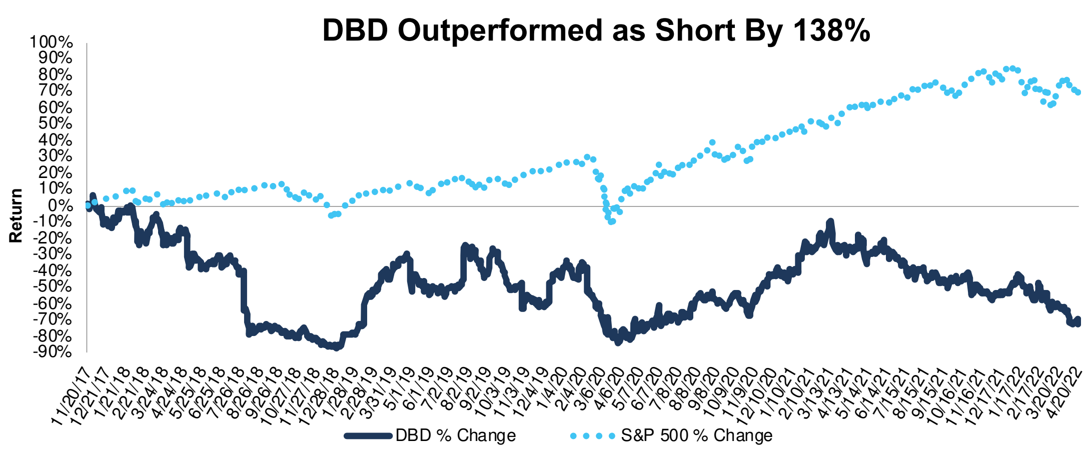
Learn more about the best fundamental research

During the roughly four-and-a-half year holding period, DBD outperformed as a short position, falling 73% compared to a 65% gain for the S&P 500.

The company's revenue has declined 4% compounded annually since 2017, but the business's profitability has improved. NOPAT margin improved from 2% in 2019 to 4% in 2021 and ROIC improved from 2% to 6% over the same time. Additionally, the company is now looking to leverage its experience building ATMs to build electric vehicle charging stations, which could provide a new growth outlet.

Given the outperformance as a short, especially after falling 46% year-to-date, DBD no longer offers the same risk/reward. As a result, we're closing this Danger Zone pick.

Figure 1: DBD vs. S&P 500 – Price Return – Successful Danger Zone Pick



Sources: New Constructs, LLC and company filings
Note: Gain/Decline performance analysis excludes transaction costs and dividends.

This article originally published on April 25, 2022.

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.

[1] Harvard Business School features our Robo-Analyst research automation technology in the case New Constructs: Disrupting Fundamental Analysis with Robo-Analysts.

[2] Three independent studies from respected institutions prove the superiority of our data, models, and ratings. Learn more here.

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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