



Our ROIC Research Versus Competitors Part II: Big Differences vs FactSet

We got lucky again. A recent [MarketWatch article](#) featured return on invested capital (ROIC) research from FactSet (FDS) and allows us another real-time opportunity to compare our research to a competitor's. On [July 16, 2024](#), we highlighted alarming differences between our research and Morningstar's.

The main takeaways from these comparisons are:

1. Our proprietary fundamental data makes our stock research very different - in a [very good](#) way.
2. Given the recent market volatility, investors need reliable stock research now more than ever.
3. We hope to earn your business by showing the value we deliver our clients.

As with Morningstar, there are very large differences between our research and FactSet's. For example:

- FactSet shows VeriSign's (VRSN) 10-year Average ROIC is 232%, and we show 4%.
- FactSet shows Lennox International's (LII) 10-year Average ROIC is 37%, and we show 19%.
- FactSet shows Ubiquiti's (UI) 10-year Average ROIC is 58%, and we show 110%.

More details in Figure 1.

Figure 1: 10-Year Average ROIC: New Constructs vs. FactSet

Ticker	Company Name	FactSet 10yr Average ROIC	New Constructs 10yr Average ROIC	Difference
VRSN	VeriSign Inc.	232%	4%	228%
LII	Lennox International Inc.	37%	19%	18%
YUM	Yum Brands Inc.	41%	27%	14%
AZO	AutoZone Inc.	40%	28%	12%
ITW	Illinois Tool Works Inc.	23%	14%	9%
WSM	Williams-Sonoma Inc.	29%	21%	8%
ADP	Automatic Data Processing Inc.	34%	27%	7%
ORLY	O'Reilly Automotive Inc.	33%	27%	6%
TXN	Texas Instruments Inc.	32%	26%	6%
LSTR	Landstar System Inc.	30%	25%	5%
CHE	Chemed Corp.	25%	22%	3%
ODFL	Old Dominion Freight Line Inc.	25%	21%	3%
FAST	Fastenal Co.	27%	25%	2%
RHI	Robert Half Inc.	32%	32%	0%
AMAT	Applied Materials Inc.	25%	29%	-4%
EXPD	Expeditors International of Washington	27%	36%	-9%
NVR	NVR Inc.	28%	38%	-9%
LRCX	Lam Research Corp.	26%	41%	-15%
NTAP	NetApp Inc.	24%	39%	-15%
UI	Ubiquiti Inc.	58%	110%	-52%

Sources: New Constructs, LLC and FactSet data from [here](#)



We also see very large differences in the 3-Year Average ROICs from FactSet compared to our research. For example:

- FactSet shows VeriSign’s (VRSN) 3-year Average ROIC is 285%, and we show 4%.
- FactSet shows Lennox International’s (LII) 3-year Average ROIC is 43%, and we show 24%.
- FactSet NVR’s (NVR) 3-year Average ROIC is 34%, and we show 55%.

See Figure 2.

Figure 2: 3-Year Average ROIC: New Constructs vs. FactSet

Ticker	Company Name	FactSet 3yr Average ROIC	New Constructs 3yr Average ROIC	Difference
VRSN	VeriSign Inc.	285%	4%	281%
LII	Lennox International Inc.	43%	24%	19%
ITW	Illinois Tool Works Inc.	31%	16%	15%
ORLY	O’Reilly Automotive Inc.	42%	32%	10%
YUM	Yum Brands Inc.	43%	33%	10%
ADP	Automatic Data Processing Inc.	44%	34%	9%
WSM	Williams-Sonoma Inc.	42%	32%	9%
AZO	AutoZone Inc.	43%	33%	9%
LSTR	Landstar System Inc.	36%	30%	7%
ODFL	Old Dominion Freight Line Inc.	34%	30%	3%
CHE	Chemed Corp.	26%	24%	3%
TXN	Texas Instruments Inc.	32%	30%	2%
FAST	Fastenal Co.	30%	29%	1%
UI	Ubiquiti Inc.	64%	63%	1%
RHI	Robert Half Inc.	33%	36%	-3%
AMAT	Applied Materials Inc.	36%	40%	-5%
EXPD	Expeditors International of Washington	31%	40%	-9%
NTAP	NetApp Inc.	30%	40%	-10%
LRCX	Lam Research Corp.	37%	48%	-11%
NVR	NVR Inc.	34%	55%	-21%

Sources: New Constructs, LLC and FactSet data from [here](#)

[Three prestigious institutions](#) have published studies that prove the superiority of our research, and these real-time comparisons empirically demonstrate the advantages our data enables clients to apply in their research.

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

Questions on this report or others? Join our [online community](#) and connect with us directly.



It's Official: We Deliver 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. The stock market is missing footnotes – and only we have that critical data.
2. Legacy fundamental datasets suffer from significant inaccuracies, omissions, and biases.
3. Our proprietary drives novel alpha. Our measures of [Core Earnings](#) and [Earnings Distortion](#) materially improve stock picking and forecasting of profits.

Best Fundamental Data in the World

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

Ernst & Young 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 Harvard Business School. 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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