Is “Dead Data” Really Dead? Multiple Views of Historical Fundamental Data

Marcus C. Bogue III, Ph.D.

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Overview

• The Evolution of IBES Estimates and Actuals
• Compustat Preliminary, As First Reported and Restated (Regular)
• Preliminary vs. As First Reported Sales
• Portfolios with Differing Sales
Overview

- The Evolution of IBES Estimates and Actuals
- Compustat Preliminary, As First Reported and Restated (Regular)
- *Preliminary vs. As First Reported Sales*
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Exxon Corp
Third Quarter 1998 EPS Estimates

IBES Actual EPS: 0.288

Source: I/B/E/S Detail
The Evolution of IBES Estimates and Actuals

- Estimates are Revised as Opinions Change
- An Actual is Reported
- Actual Should Equal Preliminary?
- Preliminary may be Clarified
- Company Files Report
- Company may Revise Report
- “Dead Numbers” are not Really Dead
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Compustat *Preliminary, As First Reported and Restated*

- **Preliminary Numbers Come from:**
  - Company Press Announcements
  - *The Wall Street Journal*
  - PR Newswire
  - Etc.

- **As First Reported and Restated Numbers Come from:**
  - SEC 10-K/20-F (Annual) and 10-Q/6-K (Quarterly) Filings
  - Company Annual and Quarterly Reports
  - Etc.

- Restatements Require an Additional Filing or Report
Companies with Compustat Quarterly *Preliminary* Data

- **S&P 500**
- **Next Largest 1000**
- **Next Largest 1000 to 2000**

Compustat Did Not Collect *Preliminary* Data During this Period
Compustat Preliminary Operating EPS vs IBES Actuals for Third Quarter 1999 for S&P 500

Source: I/B/E/S Detail & Compustat Preliminary
Compustat Preliminary Primary EPS vs IBES Actuals for Third Quarter 1999 for S&P 500

Source: I/B/E/S Detail & Compustat Preliminary
Percent of Companies with Compustat Operating and IBES Actual EPS Differing by Less Than $0.01 for S&P 500

Percent of Companies with Compustat Primary and IBES Actual EPS Differing by Less Than $0.01 for S&P 500

- Restated
- As-First-Reported
- Preliminary
Actuals are Like Preliminary

- Actuals Match Operating EPS Best
- Some Actuals Match Primary Better
- *Preliminary* EPS Match Better Than As First Reported
Companies with Compustat Quarterly Restatated Data

- S&P 500
- Next Largest 1000
- Next Largest 1000 to 2000

Restatements have yet to Happen
As First Reported vs. Restated Data

Exxon Mobil Corp

Sales to Price Ratio

Cash Flow to Price Ratio

Jan-90 Jan-91 Jan-92 Jan-93 Jan-94 Jan-95 Jan-96 Jan-97 Jan-98 Jan-99 Jan-00 Jan-01 Jan-02

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Companies with Different Compustat Quarterly Preliminary and As First Reported Sales
(Data Lagged 2 Months for Reporting Delay)

Source: Compustat As First Reported and Compustat Preliminary

Dramatic Change in June 1998

Compustat Did Not Collect Preliminary During this Period
For First Quarter 1997 there were 340 of the S&P 1500 Companies with Differing *As First Reported* and *Preliminary* Sales.
Preliminary vs. As First Reported Sales

- Many Changes to Even the Sales Number
- Dramatic Reduction in Number of Changes in Mid 1998
- Now Just Below 10% of S&P 1500 and Just Above 10% of S&P 500 Exhibit Changes
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• The Evolution of IBES Estimates and Actuals
• Compustat *Preliminary, As First Reported* and Restated (Regular)
• *Preliminary vs. As First Reported* Sales
• Portfolios with Differing Sales
Portfolios with Differing Preliminary and As First Reported Sales from S&P 500

Cumulative Value of $1 Invested

- S&P 500 (Equally Weighted)
- Preliminary > As First Reported Sales
- Preliminary < As First Reported Sales

Source: Compustat As First Reported and Compustat Preliminary
Portfolios with Differing *Preliminary* and *As First Reported* Sales from S&P 500

- **S&P 500 (Equally Weighted)**
- Preliminary > As First Reported Sales
- Preliminary < As First Reported Sales

Source: Compustat *As First Reported* and *Preliminary*
Portfolios with Differing *Preliminary* and *As First Reported* Sales from S&P 500

Source: Compustat *As First Reported* and Compustat *Preliminary*
Long Preliminary < As First Reported Sales Portfolio and
Short Preliminary > As First Reported Sales Portfolio

Cumulative Value of $1 Invested

Source: Compustat As First Reported and Compustat Preliminary
Portfolios with Differing *Preliminary* and *As First Reported* Sales from S&P 500

Source: Compustat *As First Reported* and Compustat *Preliminary*
Market Capitalization Breakdown by Fiscal Year End Month
at the End of 2002

- 74.8% for S&P 500, 74.1% for S&P 1500
- 6.8% for S&P 500, 6.8% for S&P 1500, principally Microsoft and P&G
- 6.5% for S&P 500, 6.3% for S&P 1500, principally retail companies
Portfolios with Differing *Preliminary* and *As First Reported* Sales from S&P 1500

Cumulative Value of $1 Invested

- S&P 1500 (Equally Weighted)
- Preliminary > As First Reported Sales
- Preliminary < As First Reported Sales

Source: Compustat As First Reported and Compustat Preliminary
Portfolios with Differing *Preliminary* and *As First Reported* Sales from S&P 1500

Source: Compustat *As First Reported* and Compustat *Preliminary*
Portfolios with Differing *Preliminary* and *As First Reported* Sales from S&P 1500

Source: Compustat *As First Reported* and Compustat *Preliminary*
Long Preliminary < As First Reported Sales Portfolio
and
Short Preliminary < As First Reported Sales Portfolio

Cumulative Value of $1 Invested

Source: Compustat As First Reported and Compustat Preliminary
Beta (Against Equally Weighted S&P 1500) for Portfolios with Differing *Preliminary* and *As First Reported* Sales from the S&P 1500

**Source:** Compustat *As First Reported* and Compustat *Preliminary*
Fraction of Time Company has Preliminary Sales Different that As First Reported Sales from S&P 1500

Source: Compustat As First Reported and Compustat Preliminary
Fraction of Time Company has *Preliminary* Sales Different that *As First Reported* Sales from S&P 1500

Source: Compustat *As First Reported* and Compustat *Preliminary*
Portfolios with Differing Sales

• Have Differing Return Characteristics, Particularly after Mid 1998
• Over and Under S&P 500 Portfolios are Small
• Over and Under S&P 1500 Portfolios are Larger and Much More Robust
• There are Consistent Over and Under S&P 1500 Portfolio Constituents
• Pattern of Returns is Consistent and Similar to Earnings Estimates Surprise!