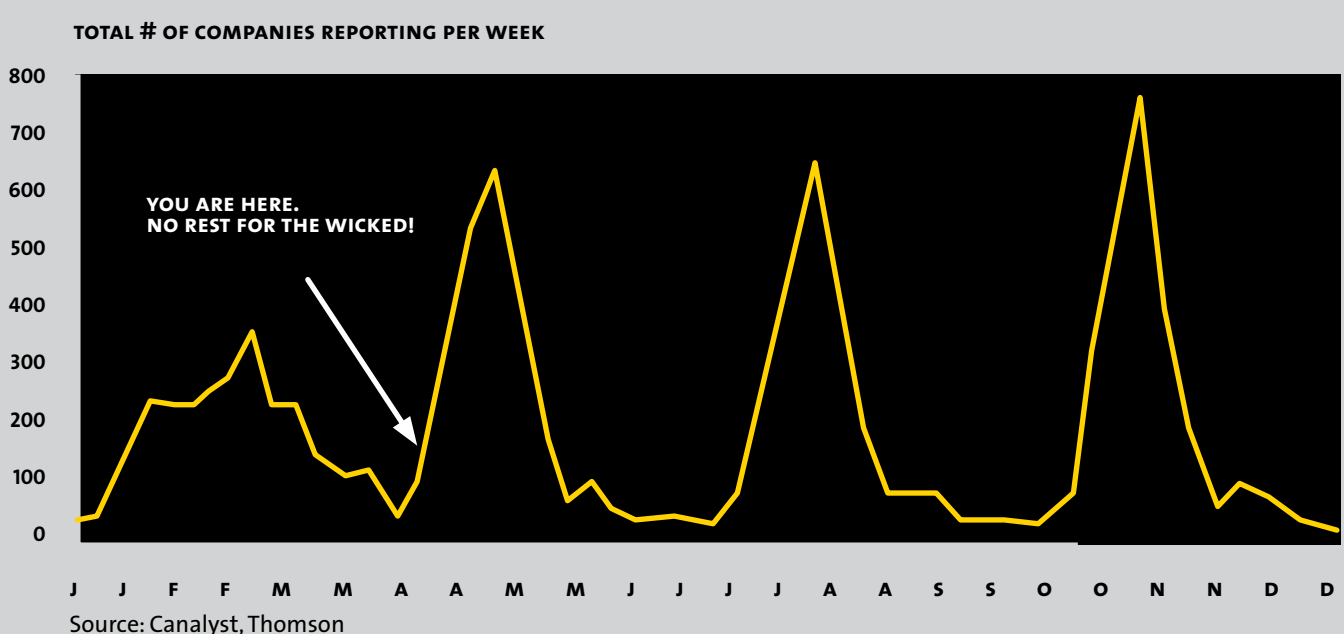


CANALYST NEWSLETTER: EMBRACE THE Q1 EARNINGS FATIGUE!

In this edition, we bring you a piece to help you embrace the Q1 earnings fatigue and take a look at a couple advantages of Canalyst.

EMBRACE THE Q1 EARNINGS FATIGUE!

Can you believe we're at the start of Q1 reporting already? If it feels like we just got finished with all those 10-Ks, you're not wrong. The long, slow task of sifting through annual reports gives us analysts the briefest of respites before a deluge of quarters. Here's a chart we live by at Canalyst, showing exactly how much this feels like a) doing a marathon, and then b) getting told "OK, that was great, just run it again, same course, twice as fast this time."

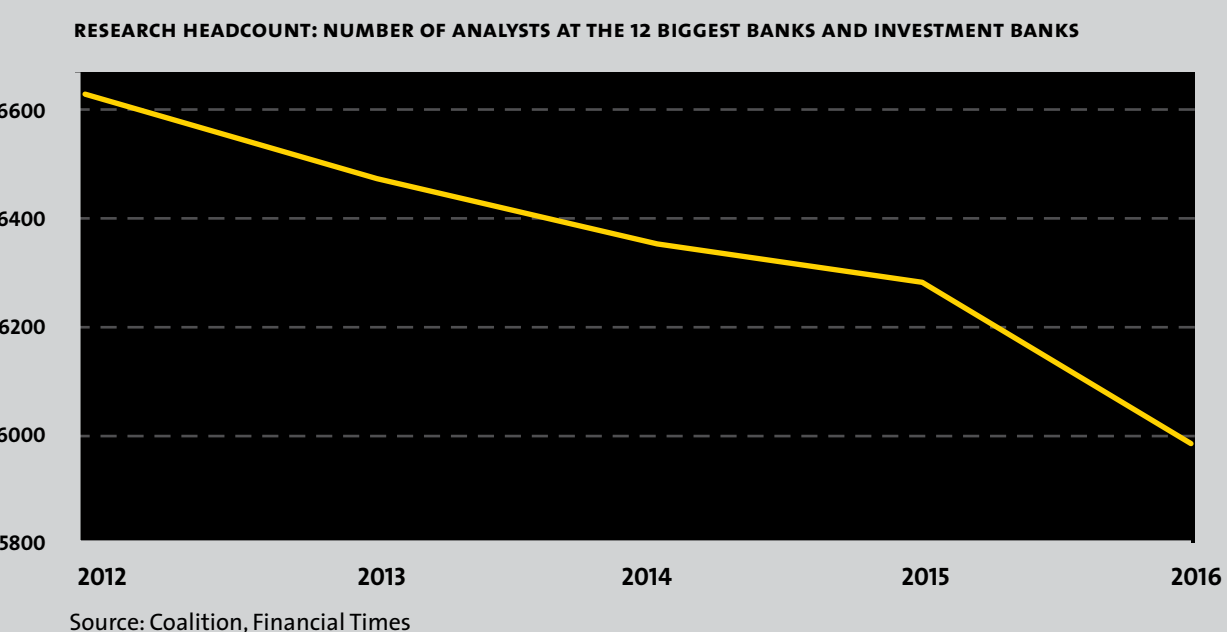


What's more, analysts and portfolio managers are forced to spend more and more time on each company's reporting, as nuanced non-GAAP figures become more prevalent.

"The SEC staff has observed a significant and, in some respects, troubling increase over the past few years in the use of, and nature of adjustments within, non-GAAP measures by companies as well prominence that the analysts and media have accorded such measures when reporting on the results of the companies they cover."

- James V. Schnurr, Chief Accountant, SEC, March 22, 2016

Moreover, there are increasingly fewer of us to do all this work (due to some of the toughening industry trends such as passive vs. active flows, fee compression, etc.).



All this is enough to beg the question, is it even worth it? Fortunately, the answer is a definitive "Yes!"

DO HEDGE FUNDS PROFIT FROM PUBLIC INFORMATION?

Abstract: we examine whether hedge funds profit from public information. Using unique data on hedge funds' use of publicly-available SEC filings, we show that funds accessing filings in a month exhibit 1.5% higher annualized abnormal returns than non-users. Above-median users earn even higher returns. The effect is not due to fund-type differences.

Source: Crane, Alan D. and Crotty, Kevin and Umar, Tarik, Do Hedge Funds Profit From Public Information? (March 30, 2018). Available at SSRN: <https://ssrn.com/abstract=3127825>

So, to summarize: while we're all tired and under-staffed while doing increasingly complex work, it's that last week of May earnings (when everyone else just wants to go home) where you can find that gem buried in the MD&A. Embrace the Q1 earnings fatigue, and know it's your confirmation that markets can't possibly be efficient, when it takes the stock two days + the weekend to drift where you thought it should open that morning.

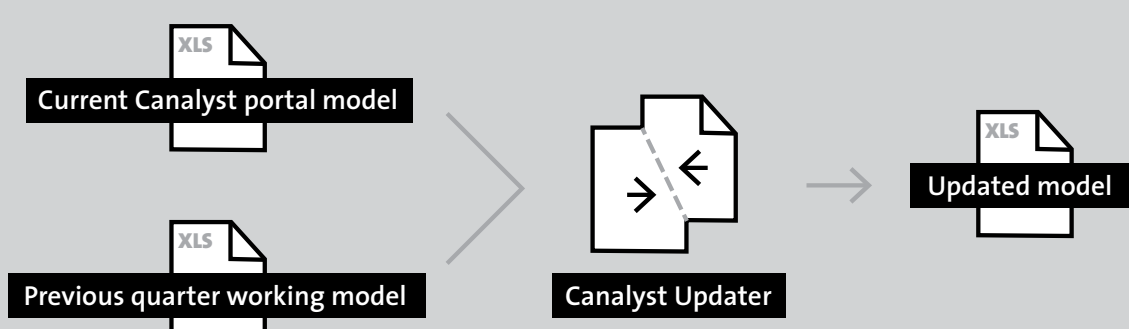
Turn to technological solutions when appropriate (shameless plug: Canalyst clients' "Watchlist" function land updated models in their inbox within 1-3 hours of reporting), and you can leverage your time where it's most valuable. After all, one can rest up later on when those "summer doldrums" arrive – and you'll sleep a lot better on your pile of alpha gathered from May!

James Rife
Canalyst, Head of Equities

THE CANALYST ADVANTAGE

CANALYST UPDATER

We are making it easier to move your driver values and custom work into an updated Canalyst model during earnings season. When performing an update, the Canalyst Updater automatically duplicates driver assumptions, custom rows and worksheets from the previous quarter into the updated version of the model you have downloaded from the Canalyst Portal. The Canalyst Updater will also create a report to help you compare your previous forecast to the reported results.



PRE-IPO MODELS

Once again, it was a quarter filled with multiple companies, such as Dropbox, Inc. [NASDAQ: DBX] and Spotify [NYSE: SPOT], filing to go public. The Canalyst Equity Research Team built the pre-IPO model of each company within 48 hours of their filing, conveniently giving our clients a head start. If you're interested in learning more, contact our [sales team](#).

For more information on anything in the newsletter, or to get a demo of our entire equity model database, contact us today!
sales@canalyst.com

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