



June 2020

Research Tender

Title: 'Core' versus 'Non-Core' Profits

Purpose: Stewart Investors would like to understand how, why, and to what extent some companies exclude various expenses from 'core' profitability. We are trying to understand which companies are over-using such adjustments, and which are being more moderate.

Background: The trend for companies to report 'core' operating profits by excluding 'non-core' expenses, such as restructuring costs, continues to gather pace at many companies. Often this will feed into management remuneration schemes, where rewards are calculated with reference to 'core' profitability. We would like to examine the extent to which ten companies (to be provided) are part of this trend.

Requirements and Questions: Covering the last decade, analyse each company's use of restructuring costs (and similar) to alter reported 'core' profitability.

Questions to be considered (non-exhaustive):

1. Does the company report 'core' profitability to investors?
2. If so, what sort of expenses are excluded as 'non-core'?
3. How significant are these exclusions relative to other costs and to the company's profitability?
4. Do the excluded costs influence management compensation and, if so, to what extent?
5. How has the approach, and answers to the above questions, changed over the period under review? Have significant changes coincided with management and board changes?

Scope:

- Stewart Investors will provide a list of ten companies to examine.
- No more than two pages per company.
- In addition, provide a one page summary or table that highlights the most conservative and most aggressive users of non-core operating profit.

Tender specifics:

Please submit a proposal by email (maximum of two pages) to siresearchtenders@stewartinvestors.com on how you would conduct this research, over what timeframe and for what price. In principle we support making your research report more widely available. However, we reserve the right to prohibit, or place restrictions, on such circulation if we believe that is appropriate.

Closing date for application: 10 July 2020