

Does Financial Statement Analysis Reflect Corporate Reinvestment After the TCJA?

Amanda M. Grossman
Murray State University

Steven D. Grossman
Texas A&M University

ABSTRACT

The Tax Cuts and Jobs Act (TCJA) reduced the corporate tax rate from 35% to 21%. One argument in favor of this reduction is the ability of corporate management to reinvest profits realized through reduced income tax expense back into the business. In this paper, key financial statement analysis measures, including income from continuing operations, free cash flow, liquidity and solvency ratios, as well as these measures' relationship to pretax income, are examined to determine if any evidence of reinvestment presents itself. Using the financial statement data from a sample of sixty-two multinational corporations, no clear evidence of an overriding corporate reinvestment strategy is forthcoming. Consequently, it appears that key financial statement ratios may not provide support for the contentions that the TCJA-related profits are geared towards stock repurchases and inflating CEO/stockholder investments. However, since the data support the supposition that reinvestment strategies are not apparent through financial statement analysis, the data suggest that corporate decision-makers have sidestepped one of the intentions of reducing the corporate tax rate.

Keywords: corporate investment, corporate decision-making, financial statement analysis, TCJA

Copyright statement: Authors retain the copyright to the manuscripts published in AABRI journals. Please see the AABRI Copyright Policy at <http://www.aabri.com/copyright.html>

INTRODUCTION

In December of 2017, the Tax Cuts and Jobs Act (TCJA) was enacted into law. One of the most significant provisions of the TCJA is the reduction of the statutory corporate tax rate from 35% to 21%. Proponents of the law championed this rate reduction as a means to entice corporations to favor domestic, rather than foreign, investment. The TCJA also eliminates the Alternative Minimum Tax and allows for 100% depreciation on acquisition of machinery and equipment. A major overhaul in the law was the enactment of a territorial, rather than a worldwide, tax treatment of foreign income. Currently, U.S. multinational corporations owe taxes to the U.S. government on profits earned in the U.S., but any dividends received from foreign corporations (that the U.S. company has less than ten percent stake) are exempt (Gale, Gelfond, Krupkin, Mazur, and Toder, 2018).

To prevent U.S. domestic companies from seeking out investments overseas to chase the lowest tax rates and transfer deductions into the U.S., the TCJA promulgates several measures, such as a minimum tax on global intangible low-taxed income (GILTI), a deduction for foreign-derived intangible income (FDII), and a base erosion and anti-abuse tax (BEAT) (Gale et al., 2018; Dowd, Giosa, and Willingham, 2020). However, even with these new provisions designed to stimulate repatriation to the U.S., corporate movement from overseas locations appears to have been stagnate in the last several years (Remely, 2021).

According to Cohen and Viswanathan (2020a), supporters of the TCJA also argued that the reduction in the statutory corporate tax rate would increase cash flow availability, and this would spark investment in capital infrastructure and research and development. The uptick in such investments would then lead to new hires and increased wages. However, the researchers propose that the lowering of the corporate tax rate had no significant impact on corporate statistics reflective of decision-making, including capital expenditures, cash flow from operations, research and development costs, and several other measures.

Cohen and Viswanathan (2020a) did find a correlation between the lower tax rate, CEO compensation, and the total value of repurchased stock shares, but they caution against assuming a causal relationship. Moreover, the researchers suggest that corporate decision-making remains largely unchanged since the passage of the TCJA, and that stock buybacks and padding CEO compensation appear the likely avenues to apply tax savings from the law. An August update (enlarging the S&P 500 data sample) to the researchers' April data produce comparable results (Cohen and Viswanathan, 2020b).

Similarly, Remely (2021) suggests that an increase in excess cash flow may not elicit reinvestment behaviors if the corporation is not already strapped for cash, and many S&P 500 companies were already cash flush prior to the TCJA's enactment. The researcher notes that the tax rate reduction freed up billions of dollars that were directed toward stock repurchases, which would increase stock prices and the stockholders' investment. Hendricks and Hanlon (2019) report similar findings, wherein Fortune 500 companies were already shown to have ample cash reserves before the enactment of the law. Foreign investors and wealthy stockholders seem to be the beneficiaries of the TCJA policies. Hendricks and Hanlon further suggest that corporations may not have taken advantage of the TCJA policies due to the simultaneous non-advantageous tariff policies.

The findings of Carrizosa, Gaertner, and Lynch (2020) lend further credence to the ostensible consensus that the TCJA may not be eliciting supporters' notions of reactionary corporate decision-making. These researchers note that the TCJA has reduced corporate leverage statistics, resulting in a decrease in the debt-to-asset ratio of 5.8% overall. They claim that the

change in this statistic is the result of a combination of declining long-term domestic debt and new issuances rather than the payment of existing debt. Under the TCJA, business net interest is limited to 30% of adjusted taxable income (before taxes, interest, depreciation and amortization). This provision might incentivize companies to issue foreign debt, which may be subject to less limitations. Nath (2019) implies that effects on cost of equity and larger effects on cost of debt due to interest expense limitations may be observable in the weighted average cost of capital calculations.

The somewhat limited research regarding the corporate reaction to the TCJA requires expansion. As inferred, the TCJA's provisions should increase net income by reducing income tax expense. Companies could then invest these savings profitably in their businesses. The purpose of this paper is to determine if several key financial statement analysis measures reveals any evidence of corporate reinvestment in the years immediately following the enactment of the TCJA.

This study examines the changes in income from continuing operations, free cash flows, liquidity, and solvency measures after the enactment of the TCJA for sixty-two S&P 500 companies. Concurrently, the relationship among these measures and pretax income and some significant sources of these changes are described. These companies were chosen based upon a fiscal year end of December 31, representation of a wide variety of industry groups, and also as an addendum to the studies conducted by Grossman and Grossman (2018a; 2018b).

FINANCIAL STATEMENT ANALYSIS

Income from Continuing Operations

Firstly, income from continuing operations for the sample companies are examined. With less income taxes to pay, companies may have been expected to use the savings to increase pretax profits. Those companies that reported increases in income from continuing operations before income taxes from 2017 to 2019 of at least 10% are shown in Exhibit 1 (all Exhibits are listed in the Appendix). Four of the companies had increases in pretax income from continuing operations of at least 10% from 2017 to 2018 and from 2018 to 2019. For Merck and Vulcan Materials, the increases were due mainly to increased sales revenue. Coca-Cola's increases were due mainly to cost improvements for selling, general, and administrative expenses and cost of goods sold. For Alphabet, increased interest income and gains from equity securities fostered increased pretax earnings.

Many more companies reported increases in income from continuing operations before income taxes from 2017 to 2018 but not from 2018 to 2019 of at least 10%. These companies are shown in Exhibit 2. Seventeen of the companies had increased pretax income from continuing operations of at least 10% from 2017 to 2018 but not from 2018 to 2019. Increases in sales and other revenues were the main reason for the 2017 to 2018 increases for fourteen of the companies. For three companies, the main reason was no impairment charge for 2018 (Hess), decreased selling, general, and administrative costs and income from equity securities (Parker-Hannifin), and a gain on disposal of a business (Textron). For those companies with significant decreases for 2019, the main reason was decreases in sales. Occidental Petroleum suffered a 97% decrease to pretax income mainly due to depreciation, impairment, and acquisition costs. Johnson Controls International had an 11% increase in selling, general, and administrative costs with little change in its gross profit.

There were some companies that reported decreases of at least 10% for income from continuing operations from 2017 to 2018 but not from 2018 to 2019. These companies are shown

in Exhibit 3. Twelve companies had decreases in pretax income from continuing operations of at least 10% from 2017 to 2018. The main reasons for the decrease were increases to cost of goods sold and sales and distribution costs, impairment losses, restructuring decreases in the market value of investments, no gain on sale of business, and environmental remediation charges.

Four of the companies had increases in income from continuing operations of at least 10% from 2017 to 2019, seventeen had increases of at least 10% from 2017 to 2018, and twelve had decreases of at least 10% from 2017 to 2018. Twenty-nine companies did not have increases or decreases of at least 10% during 2017 to 2019 or 2017 to 2018. In sum, a small majority of sample companies experienced a modest increase in income from continuing operations, and most of the increases occurred in the 2017 to 2018 period. Further analysis may provide an indication of the uses of these increases.

Free Cash Flow

Free cash flow is defined as net cash provided by or used in operations minus capital expenditures, which are payments for property, plant, and equipment. Free cash flow could increase with increases in pretax accounting income depending on the effect on net cash flow from operations. Cash flow from operations differs from income because revenue is recorded only when received, not necessarily earned, and expenses are recorded only when paid, not necessarily incurred. As indicated by the definition, whether free cash flow increases also depends upon the extent of capital expenditures.

Companies with increases in free cash flows of at least 10% from 2017 to 2019 are shown in Exhibit 4, companies with increases in free cash flows of at least 10% from 2017 to 2018 only are shown in Exhibit 5, and companies with free cash flow decreases of at least 10% from 2017 to 2018 only are shown in Exhibit 6. Fifteen companies had increases of at least 10% from 2017 to 2019 for free cash flow. For four companies, cash flows from operations increased more than capital expenditures increased. For five companies, cash flows from operations increased while capital expenditures decreased. Depending on the years, for six companies, cash flows from operations increased more than capital expenditures increased in comparing two of the years while cash flows from operations increased and capital expenditures decreased in comparing the other two years.

The picture is somewhat different if acquisitions of other companies are considered. For example, free cash flows for Bristol-Myers Squibb in 2019 would be a negative seventeen billion dollars rather than a positive seven billion dollars. Coca-Cola's free cash flow for 2019 would drop from \$8.4 billion to \$2.9 billion. Most of these companies had an acquisition in at least 2018 or 2019.

Seventeen companies have increases for free cash flow from 2017 to 2018 of at least 10% but no such increases from 2018 to 2019. For twelve of these companies, cash flows from operations increased more than capital expenditures increased. For four of the companies, capital expenditures decreased while cash flows from operations increased. For Whirlpool, capital expenditures decreased more than cash flows from operations decreased. From 2018 to 2019, twelve of the companies had decreases in free cash flow, while five companies had less than 10% increases. Again, acquisitions alter the results if included in computing free cash flow. Boeing and Occidental Petroleum had even larger negative free cash flows in 2019. Fortive would have a negative free cash flow from 2017 to 2019.

Nine companies had decreases in free cash flows of at least 10% from 2017 to 2018 but not in 2019. All of these companies had decreases in cash flow from operations and increases in capital expenditures from 2017 to 2018. General Dynamics had a large business acquisition in 2018 that would have decreased free cash flow from \$2.5 billion to a negative \$7.6 billion. If 2018 acquisitions were computed in free cash flow, the figure of \$2.6 billion for Marathon Petroleum would be reduced to a negative \$1.2 billion. Seven of the companies had increases to free cash flow in 2019; however, Conagra Brands and IBM had big acquisitions in 2019 resulting in large negative free cash flows including acquisitions of \$4.3 billion and \$20.1 billion, respectively.

Summarily, fifteen companies had increases in free cash flows of at least 10% from 2017 to 2019, seventeen had increases of at least 10% from 2017 to 2018, and nine had decreases of at least 10% from 2017 to 2018. Twenty-one companies did not have increases or decreases of at least 10% from 2017 to 2019 or 2017 to 2018. Therefore, whilst free cash flow seems better-positioned for many of the sample companies, it was apparently not used on capital expenditures, as this metric did not vary proportionally with any increase in free cash flow.

Current Ratio Analysis

Liquidity refers to a company's ability to pay its current liabilities. The current ratio, current assets divided by current liabilities, measures whether current assets are large enough to meet current liabilities in the event of an economic or financial downturn. In 2017, for the sixty-two companies in this study, thirteen had a current ratio less than one, twenty-two had a current ratio of 1.0-1.49, nineteen had a current ratio of 1.5-1.99, five had a current ratio of 2.0-2.99, and three had a current ratio of 3.0 or higher. The lowest current ratio was 0.56 (General Mills); the highest current ratio was 5.14 (Alphabet). Exhibit 7 shows the companies with increases to their current ratios of at least 10% from 2017 to 2018. Exhibit 8 shows the companies with decreases to their current ratios of at least 10% from 2017 to 2018.

Eight companies had increases of at least 10% for their current ratios from 2017 to 2018. Current assets increased for seven of the companies. Increases in cash and cash equivalents were the main reason for four of the companies. Other reasons included increases in receivables and assets held for sale. For six of the companies, the current ratio decreased from 2018 to 2019. Current assets decreased due to less cash and cash equivalents, accounts receivable, and assets held for sale along with some increases in payables and short-term debt. Clorox's current ratio increased as short-term debt declined more than cash and cash equivalents did.

Twenty-four companies had decreases of at least 10% for their current ratios from 2017 to 2018. Current ratios decreased due to such reasons as increases to short-term debt (includes notes and loans payable and current maturities of long-term debt), increases to payables and accrued liabilities, decreases to cash and cash equivalents, and decreases to short-term investments. Twelve of the companies increased their current ratios in 2019. The largest increases were for Hasbro (increase in cash and cash equivalents and receivables), Illinois Tool Works and Conagra Brands (decreases in short-term debt), and Vulcan Materials (increase to cash and cash equivalents and decrease to short-term debt). Ten of the companies decreased their current ratios further in 2019. The largest decreases were for Hess and McDonald's who both had increases in current liabilities due to the current portion of lease liabilities for operating leases.

Overall, eight companies had increases in their current ratios of at least 10% from 2017 to 2018; twenty-four had decreases. Thirty companies did not have increases or decreases of at least 10% for the current ratios from 2017 to 2018. The general conclusion from this analysis is that an unremarkable rise and fall in the ratio occurred, but nothing to indicate an abundance of effect for this liquidity measure.

Debt-to-Equity Ratio Analysis

The debt-to-equity ratio indicates whether a company has issued too much debt to finance its operations. Debt is defined as short-term borrowing plus long-term borrowing; it consists of notes payable, loans payable, commercial paper, current maturities of long-term debt and long-term debt. Debt may be issued to acquire plant and equipment or another company. The ratio is used to ascertain if a company has borrowed too much or if a company can safely borrow additional funds.

Of the sixty-two companies in this study in 2017, fifteen had a debt-to-equity ratio of 0-0.49, twenty had a debt-to-equity ratio of 0.50-0.99, nine had a debt-to-equity ratio of 1.0-1.99, eight had a debt-to-equity ratio of 2.0-2.99, nine had a debt-to-equity ratio of 3.0 or higher, and one (McDonald's) had a negative debt-to-equity ratio due to a stockholders' deficit due to purchases of treasury stock. The lowest debt-to-equity ratio was 0.03 (Alphabet); the highest debt-to-equity ratio, excluding the negative 9.04, was 27.07 (Colgate-Palmolive). Exhibit 9 shows the companies with decreases in their debt-to-equity ratios of at least 10% from 2017 to 2018. Exhibit 10 shows companies with increases in their debt-to-equity ratio of at least 10% from 2017 to 2018.

Twenty companies had decreases in their debt-to-equity ratios of at least 10% in 2018. For thirteen of those companies, the main reason was a reduction in their debt. For others, the main reason was an increase in stockholders' equity, largely due to net earnings increasing stockholders' equity. Twelve companies further decreased their debt-to-equity ratios in 2019; six mainly because of reductions to debt and six mainly because of increases in stockholders' equity. Six companies had increases to debt-to-equity in 2019 due to increases in debt. For Alphabet, the large increase was due primarily to recording operating lease liabilities.

Twenty-two companies had increases in their debt-to-equity ratios of at least 10% in 2018. For five of the companies, the main reason was increases in debt. For eight companies, decreases in stockholders' equity was the main reason. Decreases to stockholders' equity encompassed increases in buying treasury stock (four), increased accumulated other comprehensive loss (two), a decrease in retained earnings due to a net loss (Kraft-Heinz), and an increase to the accumulated deficit (Nordstrom). For the eight companies with increases in debt and decreases in stockholders' equity, the main reasons for the decreases in equity were increases in treasury stock, a decrease in retained earnings due to dividends declared being more than net income (Campbell Soup), and an increase to accumulated other comprehensive loss (Stanley Black & Decker).

Twelve companies further increased their debt-to-equity ratios in 2019, while nine companies decreased their ratios. For those with increased debt-to-equity ratios, more long-term debt, including operating lease liabilities, was the main reason. For one company (Home Depot), an increase in treasury stock purchases resulted in an increase in the deficit to stockholders' equity. For those with decreases to their 2019 debt-to-equity ratio, there were increases in

retained earnings, an issuance of preferred stock (Stanley Black & Decker), and a net loss combined with large dividend declaration (Boeing).

An analysis of treasury stock transactions reveals mixed results. Nearly one-third of the sample companies engaged in significant purchases of treasury stock. Of the twenty-one companies with pretax income increases of at least 10% in 2018, thirteen companies had significant increased purchases of treasury stock (Alphabet, Caterpillar, Chevron, Hess, Intel, Marathon Petroleum, International Paper, Northrop Grumman, Nucor, Occidental Petroleum, Parker-Hannifin, Textron, Vulcan Materials). Of the remaining sample companies, approximately one-fourth had some significant increases, while the remainder had little change in treasury stock purchases, or even decreases.

Twenty companies had decreases in the debt-to-equity ratios of at least 10% from 2017 to 2018; twenty-two had increases. Twenty companies had neither increases nor decreases of at least 10% in their debt-to-equity ratios from 2017 to 2018. These sample company data suggest rather varied effects on the debt-to-equity ratios, negating an overarching approach to changes in the ratio input measure after passage of the TCJA.

Pretax Income Relationship to Cash Flow, Liquidity and Solvency Measures

Exhibit 11 shows the companies with changes to their pretax income of at least 10% from 2017 to 2018 and for those companies if their free cash flows, current ratios, or debt-to-equity ratios also changed by at least 10% from 2017 to 2018. For sixteen of the thirty-three companies, the free cash flow changed in the same direction as the change in pretax income. For two companies, the change in free cash flow increased even though pretax income decreased. For two companies, the change in free cash flow decreased even though pretax income increased. For thirteen companies, the change in free cash flow was less than 10%. For eleven companies, the current ratio changed in the same direction as the change in pretax income; for seven of the companies the change was in the opposite direction. For fifteen companies, the change was less than 10%.

A change in the same direction means that the current ratio, which is measuring liquidity, increased when pretax income increased and decreased when pretax income decreased. A change in the opposite direction means that the current ratio decreased when pretax income increased (six companies) or the current ratio increased when pretax income decreased (one company). For fourteen companies, the debt-to-equity ratio changed in the opposite direction as the change in pretax income; for four companies, the change was in the same direction. For those seven companies with increases in pretax income, a change in the opposite direction means a lower debt-to-equity ratio and, therefore, an improvement in solvency. For those seven companies with decreases in pretax income, a change in the opposite direction means a decrease in solvency. For thirteen companies, the change in the debt-to-equity ratio was less than 10%.

As can be seen in Exhibit 11, there does not seem to be a strong correlation between percentage change in pretax income and percentage changes in either liquidity using the current ratio or solvency using the debt-to-equity ratio. Increases in pretax income do not necessarily result in higher liquidity or better solvency positions. To further examine these relationships, two regression equations were run:

$$CR = a + b*PTI$$

and

$$DE = c + d*PTI$$

In the first equation, CR is the percentage change in the current ratio; in the second equation, DE is the percentage change in the debt-to-equity ratio. PTI is the percentage change in pretax income. These regressions defined both relationships thusly:

$$CR = -4.157 - (.014)*PTI$$

and

$$DE = 52.636 - (.299)*PTI$$

Neither of these equations proves significant relationships among the variables. For the CR equation, R Square is .004 and the regression significance is .615. For the DE equation, R Square is .013, and the regression significance is .378. Taken together, these sample company data indicate an insignificant inverse relationship between pretax income and both the current ratio and the debt-to-equity ratio. That is, as pretax income increases, both the current ratio and the debt-to-equity ratios decrease.

CONCLUSIONS

The financial statement analysis conducted in this paper provides some evidence that corporate management does not appear to be utilizing any marginally gained profits to reinvest into the business. No definitive pattern of corporate decision-making, with regards to the measures studied, is revealed. Additionally, it does not seem to be the prevailing case that treasury stock increased greatly among the majority of sample companies, thereby tempering support for the contentions of other researchers that stock buybacks skyrocketed in the wake of the TCJA enactment.

While the data in this paper are inadequate to support the contention that surplus profits from the TCJA corporate rate reduction were used to enrich upper management, Durrant, Gong, and Howard (2021) find significantly increased compensation to CEOs in 2017 as opposed to previous years, in anticipation of the passage of the TCJA. The repeal of the performance-based exception within the TCJA also led to increases in CEO stock options, which fall out of this purview. Concordantly, Hutchens, Lynch, and Stomberg (2021) find that corporate employers that provide bonuses or some form of increased compensation, stated as arising from the TCJA, are met with dissatisfaction from employees as opposed to those corporations that did not state increased compensation as arising from the TCJA. Additionally, for those who were told the TCJA was the impetus for the pay increase, the sizable disparity between their increased compensation and that of executive management furthered the sentiment of dissatisfaction. These research findings provide further evidence that increased TCJA profits benefit corporate management and investors and do not translate into sizable monetary compensation for the average worker.

According to Cohen and Viswanathan (2020b), the global pandemic most likely will obfuscate corporate reinvestment decisions vis-à-vis the impact of policies stemming from the TCJA. Therefore, data in the years immediately following the TCJA's enactment currently provide the clearest picture of any possible connections. Further complicating matters is the change of administration to another political party. The Biden Administration's potential changes to the tax code include instituting a 28% corporate tax rate, along with other incentives to curtail ever-growing wealth inequalities, and increase tax revenues (Remely, 2021). Given the possibly short-lived shelf life of the current provisions of the TCJA, continued determination of its effects on corporate decision-making behaviors may prove elusive, especially given the anticipatory nature of the decision-makers to reap full advantage of impending changes in legislation.

REFERENCES

- Carrizosa, R. D., F. B. Gaertner and D. P. Lynch. (2020). Debt and taxes? The effect of TCJA interest limitations on capital structure. (September 2020), Available at SSRN: https://papers.ssrn.com/sol3/Papers.cfm?abstract_id=3397285
- Cohen, N. H. and M. Viswanathan. (2020a). Corporate behavior and the Tax Cuts and Jobs Act. *University of Chicago Law Review Online*, April 2020, 1-7.
- Cohen, N. H. and M. Viswanathan. (2020b). An updated analysis of corporate behavior and the Tax Cuts and Jobs Act. *University of Chicago Law Review Online*, August 2020, 1-14.
- Dowd, T., C. Giosa and T. Willingham. (2020). Corporate behavioral responses to the TCJA for tax years 2017-2018. *National Tax Journal*, 73(4), 1109-1134.
- Durrant, J., J. J. Gong and J. Howard. (2021). In the nick of time: Performance-based compensation and proactive responses to the Tax Cuts and Jobs Act. *Journal of Management Accounting Research*, 33(1), 53-74.
- Gale, W., H. Gelfond, A. Krupkin, M. J. Mazur and E. Toder. (2018). A preliminary assessment of the Tax Cuts and Jobs Act of 2017. *National Tax Journal*, 71(4), 589-612.
- Grossman, A. M. and S. D. Grossman. (2018a). U.S. vs. foreign corporate effective tax rates: A move back home? *Tax Notes*, 158(10), 1379-1385.
- Grossman, A. M. and S. D. Grossman. (2018b). The transitional impact of the TCJA on effective tax rates. *Tax Notes*, 160(11), 1563-1568.
- Hendricks, G. and S. Hanlon. (2019). The TCJA 2 years later: Corporations, not workers, are the big winners. *Center for American Progress*. Accessed online on April 30, 2021 at: <https://www.americanprogress.org/issues/economy/news/2019/12/19/478924/tcja-2-years-later-corporations-not-workers-big-winners/>
- Hutchens, M., D. Lynch and B. Stomberg. (2021). Sharing the wealth: The effects of TCJA bonuses on employee pay sentiment (May 2021), Available at SSRN: <https://ssrn.com/abstract=3753701>
- Nath, E. Current observations on the valuation impact of the TCJA. (2019). *Business Valuation Update*, 25(2), 1-4.
- Remely, T. (2021). Falling short: The unintended consequences of the corporate tax cuts (February 2021), Available at SSRN: <https://ssrn.com/abstract=3777510>

APPENDIX

Exhibit 1
Companies with pretax income increases of at least 10%, 2017-2019

Company	% Increase	
	2017-2018	2018-2019
Alphabet	28	14
Coca-Cola	19	31
Merck	33	32
Vulcan Materials	73	22

Exhibit 2
Companies with pretax income increases of at least 10%, 2017-2018 only

Company	Increase % 2017-2018	Income Change 2019
Boeing	15	decrease of 119% to a loss
Caterpillar	92	small decrease
Chevron	123	73% decrease
Conagra Brands	11	small increase
Conoco Phillips	482	small decrease
Hanes Brands	22	6% increase
Hershey	27	small decrease
Hess	104	slight increase
Intel	15	small increase
International Paper	107	12% decrease
Johnson Controls International	34	32% decrease
Marathon Petroleum	37	small decrease
Nucor	85	45% decrease
Occidental Petroleum	322	97% decrease
Parker-Hannifin	14	22% decrease
Textron	82	32% decrease
Valero Energy	32	18% decrease

Exhibit 3
Companies with pretax income decreases of at least 10%, 2017-2018 only

Company	% Decrease	Income Change
	2017-2018	2019
Campbell Soup	37	25% decrease
Eaton	28	7% increase
General Motors	28	13% decrease
Hasbro	66	120% increase
Kimberly-Clark	39	46% increase
Kraft-Heinz	308	124% increase
Leggetto Platt	11	12% increase
Northrop Grumman	12	32% decrease
PPG	16	small decrease
Stanley Black & Decker	33	9% increase
Walmart	24	76% increase
Whirlpool	102	huge increase

Exhibit 4
Companies with free cash flow increases of at least 10%, 2017-2019

Company	% Increase	
	2017-2018	2018-2019
Bristol-Myers Squibb	18	45
Coca-Cola	15	38
Hershey	28	14
Intel	38	19
International Paper	352	41
Johnson Controls International	325	32
Kraft-Heinz	252	59
McDonald's	14	36
Merck	82	20
Northrop Grumman	53	18
Parker-Hannifin	14	20
Stanley Black & Decker	240	40
United Technologies	22	50
Vulcan Materials	97	65
Xerox	382	21

Exhibit 5
Companies with increases in free cash flow of at least 10%, 2017-2018 only

Company	% Increase 2017-2018	Free Cash Flow Change 2019
Boeing	17	large negative flow
Clorox	23	slight increase
Conoco Phillips	149	28% decrease
Dollar General	22	small increase
Fortive	16	small decrease
Genuine Parts	39	35% decrease
Hess	84	651% decrease
Honeywell International	14	8% increase
Illinois Tool Works	16	9% increase
Kellogg	108	38% decrease
Molson Coors Beverage	33	22% decrease
Nucor	133	small decrease
Occidental Petroleum	113	62% decrease
Texas Instruments	30	small decrease
Textron	44	9% decrease
Tyson Foods	15	29% decrease
Whirlpool	10	9% increase

Exhibit 6
Companies with free cash flow decreases of at least 10%, 2017-2018 only

Company	% Decrease 2017-2018	Free Cash Flow Change 2019
Conagra Brands	24	10% increase
General Dynamics	29	19% decrease
General Motors	27	14% increase
Hasbro	14	small increase
IBM	12	small increase
Marathon Petroleum	34	58% increase
Pepsi Co.	13	12% decrease
PPG	13	58% increase
Target	44	66% increase

Exhibit 7**Companies with increases to their current ratio of at least 10%, 2017-2018 only**

Company	Current Ratio	% Increase	Ratio Change
	2017	2017-2018	2019
Chevron	1.03	21	14% decrease
Clorox	0.84	30	17% decrease
Eastman	1.59	14	increased slightly
Kraft-Heinz	0.71	70	15% decrease
Nucor	2.42	27	8% increase
Occidental Petroleum	1.12	20	7% decrease
Parker-Hannifin	1.59	53	36% decrease
Pfizer	1.35	16	44% decrease



Exhibit 8**Companies with decreases to their current ratio of at least 10%, 2017-2018 only**

Company	Current Ratio	% Decrease	Ratio Change
	2017	2017-2018	2019
Alphabet	5.14	24	14% decrease
Campbell Soup	0.79	19	17% decrease
Coca-Cola	1.34	35	13% decrease
Colgate-Palmolive	1.36	16	10% decrease
Conagra Brands	1.17	29	54% increase
Eaton	1.64	10	16% increase
Fortive	1.83	21	27% decrease
General Dynamics	1.40	12	small decrease
Hasbro	2.90	17	huge increase
Hess	2.53	20	38% decrease
Illinois Tool Works	2.38	32	78% increase
Kimberly-Clark	0.89	13	small decrease
McDonald's	1.84	26	28% decrease
Merck	1.33	12	6% increase
Northrop Grumman	2.17	50	small decrease
Pepsi Co.	1.51	34	13% decrease
PPG	1.66	18	small increase
Target	0.96	14	small increase
Texas Instruments	3.87	16	26% increase
Tyson Foods	1.55	27	15% increase
United Technologies	1.35	16	small decrease
Vulcan Materials	2.66	33	44% increase
Whirlpool	0.93	12	7% increase
Xerox	1.91	24	26% increase

Exhibit 9
Companies with decreases in debt-to-equity ratios of at least 10%, 2017-2018 only

Company	Debt-to-Equity	%	Ratio Change 2019
	Ratio 2017	Decrease 2017-2018	
Alphabet	0.03	33	250% increase
Bristol-Myers Squibb	0.67	22	73% increase
Chevron	0.26	15	14% decrease
Clorox	4.05	16	huge increase
Cognizant Technology Solutions	0.08	13	no change
Conoco Phillips	0.64	27	11% decrease
Eastman	1.19	12	9% decrease
Fortive	1.07	51	69% increase
General Mills	2.44	19	18% decrease
Hanes Brands	5.59	27	25% decrease
Honeywell International	1.07	18	small decrease
Intel	0.39	10	6% increase
International Paper	1.71	16	10% decrease
Johnson & Johnson	0.57	11	8% decrease
Johnson Controls International	0.64	23	29% decrease
Kellogg	3.93	28	9% decrease
Molson Coors Beverage	0.86	12	13% decrease
Northrop Grumman	2.02	16	6% decrease
Pepsi Co.	3.58	38	small decrease
Tyson Foods	0.97	21	9% increase

Exhibit 10
Companies with increases in debt-to-equity ratios of at least 10%, 2017-2018 only

Company	Debt-to-Equity		
	Ratio 2017	% Increase 2017-2018	Ratio Change 2019
Boeing	6.49	420	110% decrease
Campbell Soup	2.15	122	10% increase
Colgate-Palmolive	27.07	19	56% decrease
Conagra Brands	0.73	40	40% increase
Cummins	0.25	20	7% decrease
Dollar General	0.49	53	132% increase
General Dynamics	0.35	203	17% decrease
Home Depot	18.59	178	23% decrease
Illinois Tool Works	1.81	25	13% increase
Kimberly-Clark	8.42	1925	huge decrease
Kraft-Heinz	0.48	25	small decrease
McDonald's	-9.04	45	15% increase
Merck	0.71	31	9% increase
Nordstrom	2.80	10	59% increase
Parker Hannifin	0.84	42	16% increase
PPG	0.73	45	small decrease
Stanley Black & Decker	0.46	15	28% decrease
Texas Instruments	0.39	44	16% increase
3M	1.20	23	36% increase
United Technologies	0.87	29	20% decrease
Walmart	0.58	26	12% increase
Whirlpool	1.02	94	39% decrease

Exhibit 11
Companies with pretax income changes of at least 10% and the percent changes of at least 10% in free cash flows, current ratio, and debt-to-equity ratio, 2017-2018

Company	Pretax Income Increase (Decrease) %	Free Cash Flow Increase (Decrease) %	Current Ratio Increase (Decrease) %	Debt-to-Equity Ratio Increase (Decrease) %
Alphabet	28	NA	(24)	(33)
Boeing	15	17	NA	420
Campbell Soup	(37)	NA	(19)	122
Caterpillar	92	NA	NA	NA
Chevron	123	NA	21	(15)
Coca-Cola	19	15	(35)	NA
Conagra Brands	11	(24)	(29)	40
Conoco Phillips	482	149	NA	(27)
Eaton	(28)	NA	(10)	NA
General Motors	(28)	(27)	NA	NA
Hanes Brands	22	NA	NA	(27)
Hasbro	(66)	(14)	(17)	NA
Hershey	27	28	NA	NA
Hess	104	84	(20)	NA
Intel	15	38	NA	(10)
International Paper	107	352	NA	(16)
Johnson Controls International	34	325	NA	(23)
Kimberly-Clark	(39)	NA	(13)	1925
Kraft-Heinz	(308)	NA	70	25
Leggetto Platt	(11)	NA	NA	NA
Marathon Petroleum	37	(34)	NA	NA
Merck	33	82	(12)	31
Northrop Grumman	(12)	NA	(50)	NA
Nucor	85	133	27	NA
Occidental Petroleum	322	113	20	NA
Parker Hannifin	14	14	53	42
PPG	(16)	(13)	(18)	45
Stanley Black & Decker	(33)	240	NA	15
Textron	82	44	NA	NA
Valero Energy	32	NA	NA	NA
Vulcan Materials	73	97	(33)	NA
Walmart	(24)	NA	NA	26
Whirlpool	(102)	NA	(12)	94