

Industry Classification Change from SIC to GICS in the Cost of Capital Navigator's U.S. Industry Benchmarking Module

Background

The Valuation Digital Solutions group of Duff & Phelps, A Kroll Business produces two industry-level resources used by analysts globally to augment, support, and benchmark their own custom analyses. These industry-level resources (the U.S. Industry Benchmarking Module and the International Industry Benchmarking Module) are available through the Cost of Capital Navigator at dpcostofcapital.com.

What Changed

Industry definitions in the Cost of Capital Navigator's **U.S. Industry Benchmarking Module** have historically been based on Standard Industrial Classification (SIC) codes. Specifically, industries have been classified using SIC codes from March 2014 to June 2020, on a quarterly basis.

To ensure that our industry-level resources utilize a “complete, consistent set of global sector and industry definitions that enable comparisons by company, sector, and industry across countries, regions, and globally”,¹ industry classifications in the U.S. Industry Benchmarking Module are being changed to Global Industry Classification Standard (GICS) codes, starting with the September 2020 quarterly update.²

Why GICS?

Market Acceptance and Usage: GICS is a common global classification standard used by thousands of market participants across all major groups involved in the investment process: asset managers, brokers (institutional and retail), custodians, consultants, research teams and stock exchanges.

Annual Reviews and Updates: The SIC system was last revised in 1987.³ The U.S. government discontinued the use of SIC codes in 1997 and stopped updating the codes for new industry groupings.⁴ This means that SIC codes are progressively more outdated and fail to reflect the changing industries composition and the greater weight that services represent (to the detriment of manufacturing) as a proportion of the overall U.S. economy. In comparison, GICS reviews are

¹ See the S&P Dow Jones “Global Industry Classification Standard (GICS®) Methodology guide at: <https://www.spglobal.com/spdji/en/documents/methodologies/methodology-gics.pdf>.

² The Global Industry Classification Standard (GICS) was jointly developed by S&P Dow Jones and MSCI in 1999. To learn more visit: <https://www.msci.com/gics>.

³ Source: Library of Congress at: <https://guides.loc.gov/industry-research/classification-sic>.

⁴ In 1997, SIC system was replaced by the NAICS (North American Industry Classification System) developed by the U.S., Canada and Mexico to facilitate economic analysis of the economies of the three North American countries. The NAICS was last updated in 2017. For more details about NAICS, visit: <https://www.census.gov/naics/>

conducted annually by MSCI and S&P Dow Jones Indices to ensure that the GICS structure remains fully representative of today's global markets.⁵

Coverage: The GICS system includes 11 Sectors, 24 Industry Groups, 69 Industries, and 158 Sub-Industries, and provides classification for over 47,000 active public companies covering over 120 countries.⁶

Standardization and Consistency: The goal in changing from an SIC to a GICS industry classification in the U.S. Benchmarking Module is to modernize and standardize the industry classification system used in the Cost of Capital Navigator. Both the U.S. Industry Benchmarking and the International Industry Benchmarking Modules will have a consistent industry classification.⁷

Is the Former Analysis of U.S. Industries as Defined by SIC Codes Still Available in the Cost of Capital Navigator?

Yes.

The analysis for U.S. industries (as defined by SIC codes) from March 2014 to June 2020 is still available in the U.S. Industry Benchmarking Module. Starting in September 2020 (and quarterly thereafter), industries in the U.S. Industry Benchmarking Module will be defined by GICS codes.

How do I Know Which GICS Code to Use?

An exact “mapping” from SIC to GICS (or vice versa) is not publicly available, at least on a complimentary basis.⁸ However, Valuation Digital Solutions group has created a spreadsheet (“Selecting a GICS Industry Code”) to assist analysts with the selection of the appropriate GICS industry code. This spreadsheet can be downloaded [here](#).

Selecting a GICS industry code is conducted the same way as selecting an SIC industry code, including any combination of the following methods:⁹

⁵ A free downloadable workbook containing the most recent GICS structure and sub-industry definitions can be found at <https://www.msci.com/gics>.

⁶ For more information about GICS methodology, see: <https://www.msci.com/documents/1296102/11185224/GICS+Methodology+2020.pdf>. For updated statistics on active companies and countries covered refer to: [https://www.marketplace.spglobal.com/en/datasets/gics-\(90\)](https://www.marketplace.spglobal.com/en/datasets/gics-(90)).

⁷ Industries in the Cost of Capital Navigator's International Industry Benchmarking Module have been defined by Global Industry Classification Standard (GICS) codes since inception (March 2015–present, quarterly). The change to GICS industry definitions in the Cost of Capital Navigator's U.S. Industry Benchmarking Module brings it into harmony with the International Industry Benchmarking Module, and better reflects the increasingly global nature of data that is demanded by analysts.

⁸ Some commercial providers may provide such mapping. For example, S&P Global offers an Industry Sector Cross Reference Service for a fee. See for example: [https://www.marketplace.spglobal.com/en/datasets/industry-sector-cross-reference-service-iscrs-\(14\)](https://www.marketplace.spglobal.com/en/datasets/industry-sector-cross-reference-service-iscrs-(14)).

⁹ These methods are offered only an illustration of what an analyst may or may not use to select the appropriate industry. The ultimate determination of which industry to use is the individual analyst's decision.

Method 1: Refer to a Company Financial Statements

Analysts often have a reasonable sense of which companies operate in the industry that they want to analyze. In these cases, referring to a company's (or companies') financial statement(s) may help select the appropriate GICS code(s).

Companies often state in their financial statements which industry or industries they operate in and may even list the specific SIC code(s) and/or GICS code(s) they consider to be a "match" for their operations.

Method 2: Read the Industry Descriptions

An alternative to identify the appropriate GICS industry code(s) entails reading the industry description and understand whether it meets the definition of the subject company and/or industry. The GICS structure (i.e., map) is outlined (with descriptions) in the spreadsheet "[Selecting-a-GICS-Industry-Code](#)" on the tab "GICS Descriptions".¹⁰

The "SIC Descriptions" tab provides "short" and "long" SIC code descriptions. If you previously used a specific SIC industry code in your analysis, comparing the descriptions in both the SIC code and the GICS code descriptions can be helpful in identifying the appropriate GICS code to use going forward.

Method 3: Review the List of Companies Assigned to the SIC/GICS Code

The spreadsheet "[Selecting-a-GICS-Industry-Code](#)" provides a list of the U.S. public companies that were used in the Cost of Capital Navigator's U.S. Industry Benchmarking Module as of the *last* update based on SIC codes (June 2020). This list can be found on the tab "Companies in GICS and SICs". This tab also includes the GICS code industry assignment for these companies as of the *first* update based on GICS codes (September 2020).

The following example demonstrates how this list can be used to generate ideas for selecting a GICS code that would be an approximate equivalent for a given SIC.

Example:

You previously performed an analysis using SIC 1389, "Oil and Gas Field Services, Not Elsewhere Classified". Which GICS code(s) are possible matches for SIC 1389?¹¹

¹⁰ Annual reviews are conducted by MSCI and S&P Dow Jones Indices to ensure that the GICS structure remains fully representative of today's global markets. MSCI and S&P make regular changes to the GICS structure as the economy and its industry and service composition change. To ensure you are using the most up to date GICS structure, visit: <https://www.msci.com/gics>.

¹¹ SIC 1389 is used here for example purposes only. Alternatively, the analyst can filter for *any* SIC code or GICS code, or *any* publicly-traded company name or ticker.

Step 1: Open the “[Selecting-a-GICS-Industry-Code](#)” spreadsheet and go to the tab “Companies in GICS and SICs”.

Step 2: Select SIC “1389” in the “filter” over the 4-digit SIC column (see Exhibit 1).

Exhibit 1

SIC Codes					GICS Codes			
Company Name	Ticker	1-digit	2-digit	4-digit	2-digit	4-digit	6-digit	8-digit
ORTEVA INC	CTVA	0	01		15	1510	151010	15101030
LICO INC	ALCO	0	01		30	3020	302020	30202010
MONTEIRA CO	LMNR	0	01		30	3020	302020	30202010
&W SEED CO	SANW	0	01		30	3020	302020	30202010
EJON RANCH CO	TRC	0	01		60	6010	601020	60102010
AL-MAINE FOODS INC	CALM	0	02		30	3020	302020	30202030
RIGHTVIEW HOLDINGS	BV	0	07		20	2020	202010	20201050
LEVELAND-CLIFFS INC	CLF	1	10		15	1510	151040	15104050
REEPORT-MCMORAN INC	FCX	1	10		15	1510	151040	15104025
ENERAL MOLY INC	GMO	1	10		15	1510	151040	15104020
OLITARIO ZINC CORP	XPL	1	10		15	1510	151040	15104020
OUTHERN COPPER CORP	SCCO	1	10		15	1510	151040	15104025
OEUR MINING INC	CDE	1	10		15	1510	151040	15104030
OMSTOCK MINING INC	LODE	1	10		15	1510	151040	15104030
OLD RESOURCE CORP	GORO	1	10		15	1510	151040	15104030
OLDEN MINERALS CO	ALUMN	1	10		15	1510	151040	15104040
ECLA MINING CO	HL	1	10		15	1510	151040	15104045
YCROFT MINING HOLDING CORP	HYMC	1	10		15	1510	151040	15104030
CEWEN MINING INC	MUX	1	10		15	1510	151040	15104030
EWIMONT CORP	NEM	1	10		15	1510	151040	15104030
ARAMOUNT GOLD NEVADA CORP	PZG	1	10		15	1510	151040	15104030
RANIUM ENERGY CORP	UEC	1	10		10	1010	101020	10102050
WESTWATER RESOURCES INC	WWR	1	10		10	1010	101020	10102050

After filtering, only the companies that were assigned to SIC 1389 are visible. Also visible are the GICS code(s) that these companies were assigned to (see Exhibit 2):

Exhibit 2

SIC Codes					GICS Codes			
Company Name	Ticker	1-digit	2-digit	4-digit	2-digit	4-digit	6-digit	8-digit
US WELL SERVICES INC	USWS	1	13	1389	10	1010	101010	10101010
BAKER HUGHES CO	BKR	1	13	1389	10	1010	101010	10101020
CYPRESS ENERGY PARTNERS LP	CELP	1	13	1389	10	1010	101010	10101020
ENSERVCO CORP	ENSV	1	13	1389	10	1010	101010	10101020
FTS INTERNATIONAL INC	FTSI	1	13	1389	10	1010	101010	10101020
HALLIBURTON CO	HAL	1	13	1389	10	1010	101010	10101020
HELIX ENERGY SOLUTIONS GROUP	HLX	1	13	1389	10	1010	101010	10101020
KLX ENERGY SVCS HLDNG	KLXE	1	13	1389	10	1010	101010	10101020
LIBERTY OILFIELD SVS	LBRT	1	13	1389	10	1010	101010	10101020
MAMMOTH ENERGY SERVICES INC	TUSK	1	13	1389	10	1010	101010	10101020
NEXTIER OILFIELD SOLUTNS INC	NEX	1	13	1389	10	1010	101010	10101020
NINE ENERGY SERVICE INC	NINE	1	13	1389	10	1010	101010	10101020
NUVERRA ENVIRONMENTAL SOLUTN	NES	1	13	1389	10	1010	101010	10101020
OCEANERING INTERNATIONAL	OII	1	13	1389	10	1010	101010	10101020
PROPETRO HOLDING CORP	PUMP	1	13	1389	10	1010	101010	10101020
QUINTANA ENERGY SVC INC	QES	1	13	1389	10	1010	101010	10101020
RANGER ENERGY SERVICES	RNGR	1	13	1389	10	1010	101010	10101020
RPC INC	RES	1	13	1389	10	1010	101010	10101020
SELECT ENERGY SERVICES INC	WTTR	1	13	1389	10	1010	101010	10101020
SUPERIOR ENERGY SERVICES INC	SPN	1	13	1389	10	1010	101010	10101020
TETRA TECHNOLOGIES INC/DE	TTI	1	13	1389	10	1010	101010	10101020
USA COMPRESSION PARTNRS LP	USAC	1	13	1389	10	1010	101010	10101020

After filtering for SIC 1389

Corresponding GICS code assignments

Step 3: Looking to Exhibit 2, companies that were assigned to SIC 1389 as of June 2020 were assigned to GICS codes in September 2020 as follows:

- **GICS 10** at the 2-digit (least specific) GICS code level

- **GICS 1010** at the 4-digit GICS code level
- **GICS 101010** at the 6-digit GICS code level
- **GICS 10101010** (once) and **GICS 10101020** (21 times) at the 8-digit (most specific) GICS code level

This simple exercise provides the analyst with ideas for selecting a GICS code that would be an approximate equivalent for a given SIC from the *least* specific (GICS 10) to the *most* specific (GICS 10101010 or GICS 10101020).

For more information or questions please contact the Cost of Capital Navigator support team:
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