



Free Stock Pick from our Exec Comp Aligned with ROIC Model Portfolio for May 2025

Companies report a wide array of performance metrics, ranging from GAAP to adjusted non-GAAP figures. The unregulated leeway management has in making up metrics makes getting the truth about profits increasingly difficult.

Many papers and case studies demonstrate how companies and Wall Street use “black box” metrics to fool investors. Remember “community adjusted EBITDA” from WeWork! Enron, Valeant, WorldCom, Tyco – they all presented “adjusted” metrics as cover for cooking the books.

Amid this noise, we are proud to provide you one metric that works for all companies in all environments. This metric has also been adjusted to remove all the tricks companies use to manipulate their earnings. This metric is return on invested capital ([ROIC](#)). Improving ROIC is [highly correlated](#) with increasing shareholder value, because ROIC, when calculated correctly, offers the most accurate and objective view of a firm’s economic performance.

If improving ROIC is correlated with increasing shareholder value, then shouldn’t management be incentivized to improve ROIC? We think so. Firms that tie ROIC to executive compensation link executives’ interests with shareholders’ interests. Plus, attention to ROIC promotes intelligent capital allocation.

Our Exec Comp Aligned with ROIC Model Portfolio includes only those stocks that (1) receive an Attractive-or-better rating and (2) directly link executive compensation to ROIC. We believe this combination signals disciplined capital allocation and a strong investment upside potential.

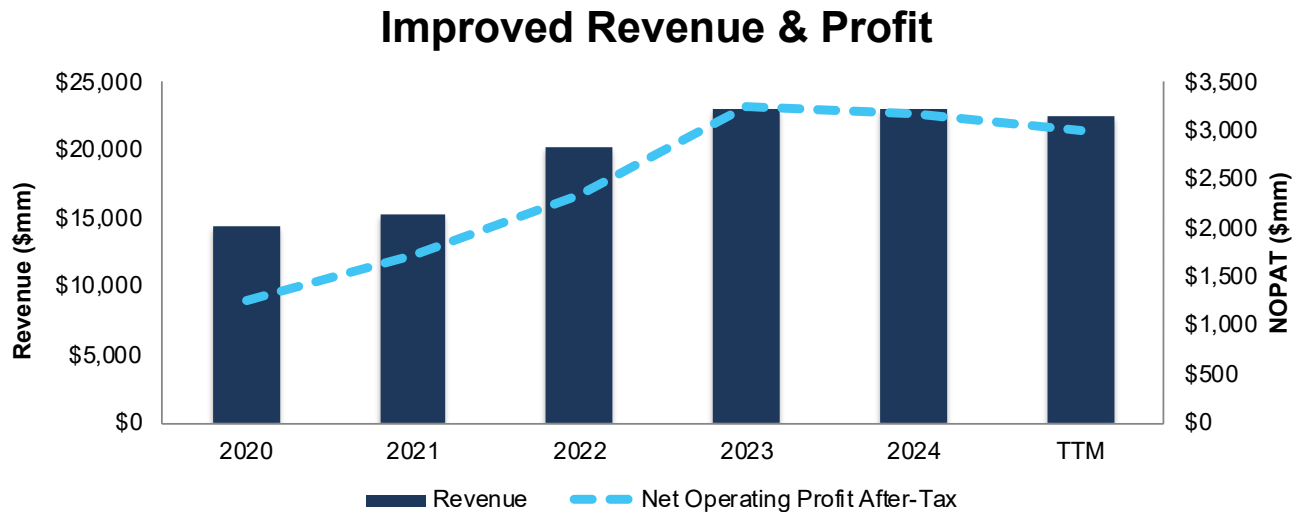
We are proud to offer the Exec Comp Aligned with ROIC Model Portfolio, and we are excited to give you a free stock pick from this Model Portfolio.

The goal behind sharing these free stock picks with you is to deliver insight into the uniquely high value-add of our research. We want you to know how hard we work and how we do research, so you know what you should expect from a good research provider and how real AI works.

We update this Model Portfolio monthly, and [May's](#) Exec Comp Aligned with ROIC Model Portfolio was updated and published for clients on May 15, 2025.

Free Stock Pick for May: Halliburton Company (HAL: \$20/share)

Halliburton’s has grown revenue and net operating profit after tax ([NOPAT](#)) by 11% and 23% compounded annually since 2020, respectively. The company’s NOPAT margin improved from 9% in 2020 to 13% in the TTM and [invested capital turns](#) increased from 0.6 to 0.8 over the same time. Rising NOPAT margins and IC turns drive the company’s return on invested capital ([ROIC](#)) from 5% in 2020 to 11% in the TTM.

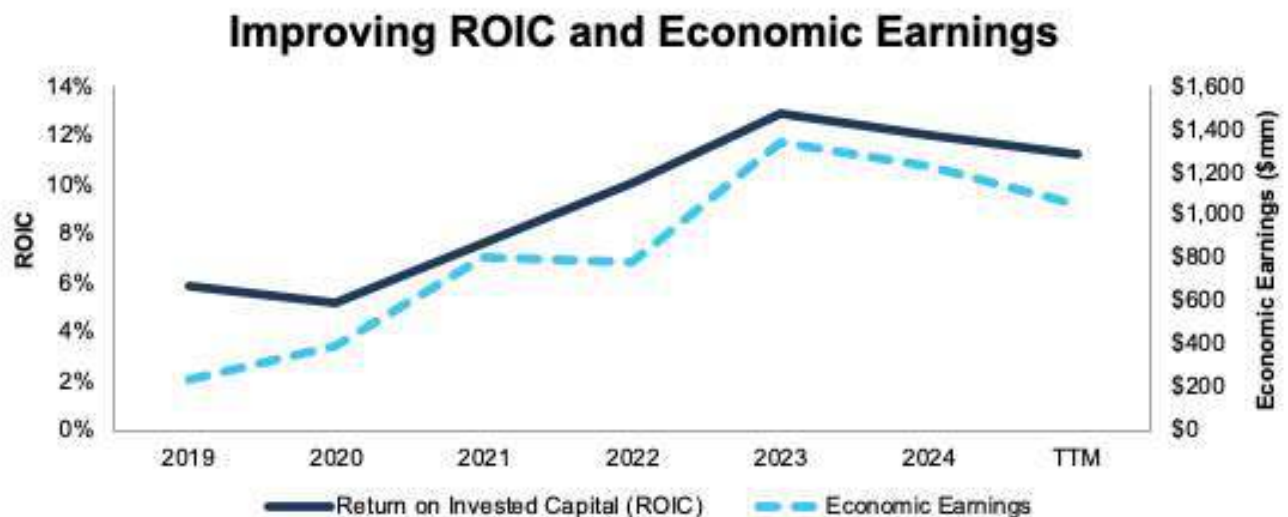
**Figure 1: Halliburton's Revenue & NOPAT: 2020 – TTM**

Sources: New Constructs, LLC and company filings

Executive Compensation Properly Aligns Incentives

Halliburton's executive compensation plan aligns the interests of executives and shareholders by tying a portion of its long-term incentive compensation to return on capital employed (ROCE), according to the company's [proxy statement](#).

The company's inclusion of ROCE, a variation of ROIC, as a performance goal has helped create shareholder value by driving higher ROIC and economic earnings. When we calculate ROIC using our [superior fundamental data](#), we find that Halliburton's ROIC has increased from 6% in 2019 to 11% in the TTM. Economic earnings rose from \$233 million to \$1 billion over the same time.

Figure 2: Halliburton's ROIC & Economic Earnings: 2019 – TTM

Sources: New Constructs, LLC and company filings

HAL Has Further Upside

At its current price of \$20/share, HAL has a price-to-economic book value ([PEBV](#)) ratio of 0.5. This ratio means the market expects Halliburton's NOPAT to permanently fall 50% from current levels. This expectation seems



overly pessimistic for a company that has grown NOPAT 13% and 5% compounded annually since 2019 and 2009, respectively.

Even if Halliburton's

- NOPAT margin falls to 9% (below 12% five-year average and 13% TTM NOPAT margin) and
- revenue grows just 0.5% (below 15-year compound annual revenue growth of 3%) compounded annually through 2034 then,

the stock would be worth \$26/share today – a 30% upside. [Contact us for the math behind this reverse DCF scenario](#). In this scenario, Halliburton's NOPAT would fall 4% compounded annually from 2025 through 2034.

Should the company grow NOPAT more in line with historical growth rates, the stock has even more upside.

Critical Details Found in Financial Filings by Our [Robo-Analyst Technology](#)

Below are specifics on the adjustments we made based on Robo-Analyst findings in Halliburton's 10-K and 10-Qs:

Income Statement: we made over \$1 billion in adjustments with a net effect of removing just under \$700 million in [non-operating expense](#). Professional members can see all adjustments made to Halliburton's income statement on the GAAP Reconciliation tab on the Ratings page on our website.

Balance Sheet: we made just under \$15 billion in adjustments to calculate invested capital with a net increase of over \$6 billion. One of the most notable adjustments was for [asset write downs](#). Professional members can see all adjustments made to Halliburton's balance sheet on the GAAP Reconciliation tab on the Ratings page on our website.

Valuation: we made just under \$10 billion in adjustments with a net decrease of over \$8 billion to shareholder value. The most notable adjustment to shareholder value was [total debt](#). Professional members can see all adjustments to Halliburton's valuation on the GAAP Reconciliation tab on the Ratings page on our website.

This article was originally published on [May 22, 2025](#).

Disclosure: David Trainer, Kyle Guske II, and Hakan Salt receive no compensation to write about any specific stock, style, or theme.

Questions on this report or others? Join our [online community](#) and connect with us directly.



It's Official: We Deliver the Best Fundamental Data in the World

Many firms claim their research is superior, but none of them can prove it with independent studies from highly-respected institutions as we can. Three different papers from both the public and private sectors show:

1. The stock market is missing footnotes – and only we have that critical data.
2. Legacy fundamental datasets suffer from significant inaccuracies, omissions, and biases.
3. Our proprietary drives novel alpha. Our measures of [Core Earnings](#) and [Earnings Distortion](#) materially improve stock picking and forecasting of profits.

Best Fundamental Data in the World

In [The Journal of Financial Economics](#), a top peer-reviewed journal, [Core Earnings: New Data & Evidence](#) proves our Robo-Analyst technology overcomes material shortcomings in legacy firms' data collection processes to provide superior [fundamental data](#), [earnings](#) models, and [research](#). More [details](#).

Key quotes from the paper:

- “[New Constructs’] *Total Adjustments* differs significantly from the items identified and excluded from Compustat’s adjusted earnings measures. For example... 50% to 70% of the variation in *Total Adjustments* is not explained by S&P Global’s (SPGI) *Adjustments* individually.” – pp. 14, 1st para.
- “A final source of differences [between New Constructs’ and S&P Global’s data] is due to data collection oversights...we identified cases where Compustat did not collect information relating to firms’ income that is useful in assessing core earnings.” – pp. 16, 2nd para.

Superior Models

Ernst & Young features the superiority of our ROIC, NOPAT and Invested Capital research to Capital IQ & Bloomberg’s in [Getting ROIC Right](#). See the [Appendix](#) for direct comparison details.

Key quotes from the paper:

- “...an accurate calculation of ROIC requires more diligence than often occurs in some of the common, off-the-shelf ROIC calculations. Only by scouring the footnotes and the MD&A [as New Constructs does] can investors get an accurate calculation of ROIC.” – pp. 8, 5th para.
- “The majority of the difference...comes from New Constructs’ machine learning approach, which leverages technology to calculate ROIC by applying accounting adjustments that may be buried deeply in the footnotes across thousands of companies.” – pp. 4, 2nd para.

Superior Stock Ratings

Robo-Analysts’ stock ratings outperform those from human analysts as shown in this [paper](#) from Harvard Business School. Bloomberg features the paper [here](#).

Key quotes from the paper:

- “the portfolios formed following the buy recommendations of Robo-Analysts earn abnormal returns that are statistically and economically significant.” – pp. 6, 3rd para.
- “Our results ultimately suggest that Robo-Analysts are a valuable, alternative information intermediary to traditional sell-side analysts.” – pp. 20, 3rd para.

Our mission is to provide the best fundamental analysis of public and private businesses in the world and make it affordable for all investors, not just Wall Street insiders.

We believe every investor deserves to know the whole truth about the profitability and valuation of any company they consider for investment. More details on our cutting-edge technology and how we use it are [here](#).



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