



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

Incentives steer corporate behavior, and executives drive where the pay points. If executives' pay points to revenue or unreliable metrics like adjusted EBITDA, leaders will chase those numbers.

Chasing growth without regard to real profits is like a football team racking up yards but never scoring any touchdowns – it looks good on paper, but the team keeps losing. Focusing on the wrong metrics destroys shareholder value and hurts the financial health of the company.

We strongly believe that companies that tie executive compensation to metrics that drive real shareholder value present some of the greatest investment opportunities. There is no better metric for measuring the creation of shareholder value than return on invested capital (ROIC). Linking executive compensation to ROIC aligns the interests of the executives with those of the shareholders.

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 (or similar variations). We believe this combination signals disciplined capital allocation and strong 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 [August's](#) Exec Comp Aligned with ROIC Model Portfolio was updated and published for clients on August 15, 2025.

### Free Stock Pick for August: Halliburton Company (HAL: \$21/share)

Halliburton has grown revenue and net operating profit after tax ([NOPAT](#)) by 10% and 20% 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 0.7 to 0.8 over the same time. Rising NOPAT margins and invested capital turns drive the company's return on invested capital ([ROIC](#)) from 5% in 2020 to 10% in the TTM.

Figure 1: Halliburton's Revenue & NOPAT: 2015 – TTM



Sources: New Constructs, LLC and company filings

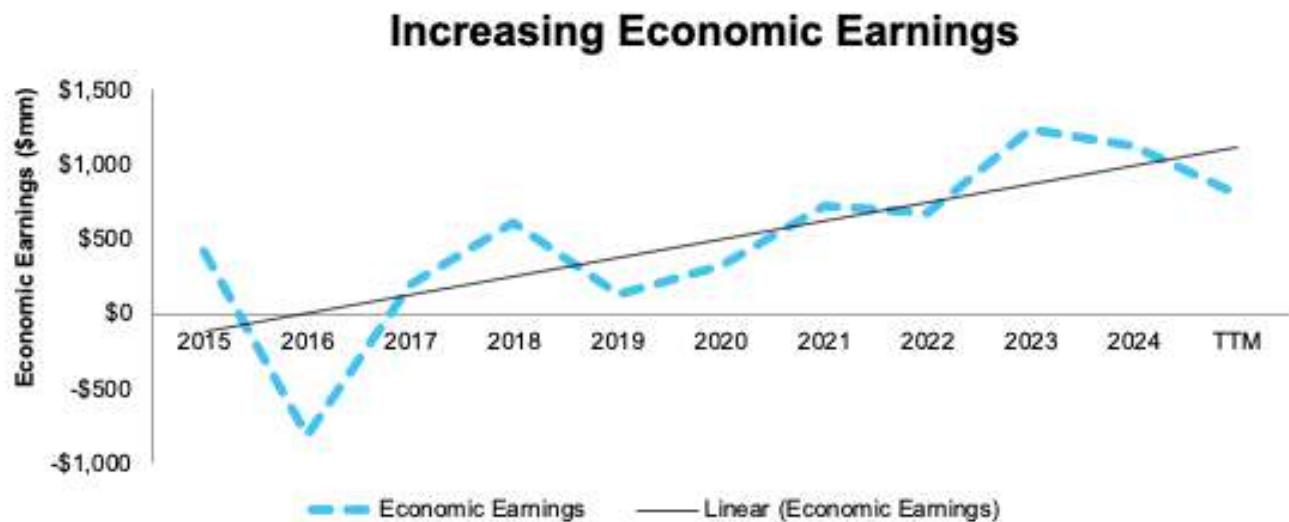
**Executive Compensation Properly Aligns Incentives**

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. In fact, in the proxy statement, Halliburton management notes they believe "Return on Capital Employed (ROCE) to be the most important financial performance measure used to link company performance to compensation actually paid."

The company's inclusion of ROCE, a variation of ROIC, has helped create shareholder value by driving higher ROIC and economic earnings. When we calculate Halliburton's ROIC using our [superior fundamental data](#), we find that it has increased from 5% in 2020 to 10% in the TTM. Economic earnings rose from \$320 million to \$808 million over the same time.

Longer-term, Halliburton improved economic earnings from \$425 million in 2015 to \$808 million in the TTM. See Figure 2.

**Figure 2: Halliburton's Economic Earnings: 2015 – TTM**



Sources: New Constructs, LLC and company filings

**HAL Has Further Upside**

At its current price of \$21/share, HAL has a price-to-economic book value ([PEBV](#)) ratio of 0.6. This ratio means the market expects Halliburton's NOPAT to permanently fall 40% from current levels. This expectation seems overly pessimistic for a company that has grown NOPAT 11% and 4% compounded annually over the last five and fifteen years, respectively.

Even if Halliburton's:

- NOPAT margin falls to 9% (below five-year average of 12% and TTM NOPAT margin of 13%) through 2034, and
- revenue grows just 1% (below 15-year compound annual revenue growth of 3%) compounded annually through 2034 then,

the stock would be worth \$27/share today – a 29% upside. [Contact us for the math behind this reverse DCF scenario](#). In this scenario, Halliburton's NOPAT would fall 3% 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 the company's income statement on the GAAP Reconciliation tab on the Ratings page on our website.

Balance Sheet: we made around \$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 the company's balance sheet on the GAAP Reconciliation tab on the Ratings page on our website.

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

*This article was originally published on [August 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, 1<sup>st</sup> 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, 2<sup>nd</sup> 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, 5<sup>th</sup> 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, 2<sup>nd</sup> 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, 3<sup>rd</sup> para.
- “Our results ultimately suggest that Robo-Analysts are a valuable, alternative information intermediary to traditional sell-side analysts.” – pp. 20, 3<sup>rd</sup> 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](#).



## ***DISCLOSURES***

New Constructs®, LLC (together with any subsidiaries and/or affiliates, "New Constructs") is an independent organization with no management ties to the companies it covers. None of the members of New Constructs' management team or the management team of any New Constructs' affiliate holds a seat on the Board of Directors of any of the companies New Constructs covers. New Constructs does not perform any investment or merchant banking functions and does not operate a trading desk.

New Constructs' Stock Ownership Policy prevents any of its employees or managers from engaging in Insider Trading and restricts any trading whereby an employee may exploit inside information regarding our stock research. In addition, employees and managers of the company are bound by a code of ethics that restricts them from purchasing or selling a security that they know or should have known was under consideration for inclusion in a New Constructs report nor may they purchase or sell a security for the first two days after New Constructs issues a report on that security.

## ***DISCLAIMERS***

The information and opinions presented in this report are provided to you for information purposes only and are not to be used or considered as an offer or solicitation of an offer to buy or sell securities or other financial instruments. New Constructs has not taken any steps to ensure that the securities referred to in this report are suitable for any particular investor and nothing in this report constitutes investment, legal, accounting or tax advice. This report includes general information that does not take into account your individual circumstance, financial situation or needs, nor does it represent a personal recommendation to you. The investments or services contained or referred to in this report may not be suitable for you and it is recommended that you consult an independent investment advisor if you are in doubt about any such investments or investment services.

Information and opinions presented in this report have been obtained or derived from sources believed by New Constructs to be reliable, but New Constructs makes no representation as to their accuracy, authority, usefulness, reliability, timeliness or completeness. New Constructs accepts no liability for loss arising from the use of the information presented in this report, and New Constructs makes no warranty as to results that may be obtained from the information presented in this report. Past performance should not be taken as an indication or guarantee of future performance, and no representation or warranty, express or implied, is made regarding future performance. Information and opinions contained in this report reflect a judgment at its original date of publication by New Constructs and are subject to change without notice. New Constructs may have issued, and may in the future issue, other reports that are inconsistent with, and reach different conclusions from, the information presented in this report. Those reports reflect the different assumptions, views and analytical methods of the analysts who prepared them and New Constructs is under no obligation to insure that such other reports are brought to the attention of any recipient of this report.

New Constructs' reports are intended for distribution to its professional and institutional investor customers. Recipients who are not professionals or institutional investor customers of New Constructs should seek the advice of their independent financial advisor prior to making any investment decision or for any necessary explanation of its contents.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would be subject New Constructs to any registration or licensing requirement within such jurisdiction.

This report may provide the addresses of websites. Except to the extent to which the report refers to New Constructs own website material, New Constructs has not reviewed the linked site and takes no responsibility for the content therein. Such address or hyperlink (including addresses or hyperlinks to New Constructs own website material) is provided solely for your convenience and the information and content of the linked site do not in any way form part of this report. Accessing such websites or following such hyperlink through this report shall be at your own risk.

All material in this report is the property of, and under copyright, of New Constructs. None of the contents, nor any copy of it, may be altered in any way, copied, or distributed or transmitted to any other party without the prior express written consent of New Constructs. All trademarks, service marks and logos used in this report are trademarks or service marks or registered trademarks or service marks of New Constructs. Copyright New Constructs, LLC 2003 through the present date. All rights reserved.