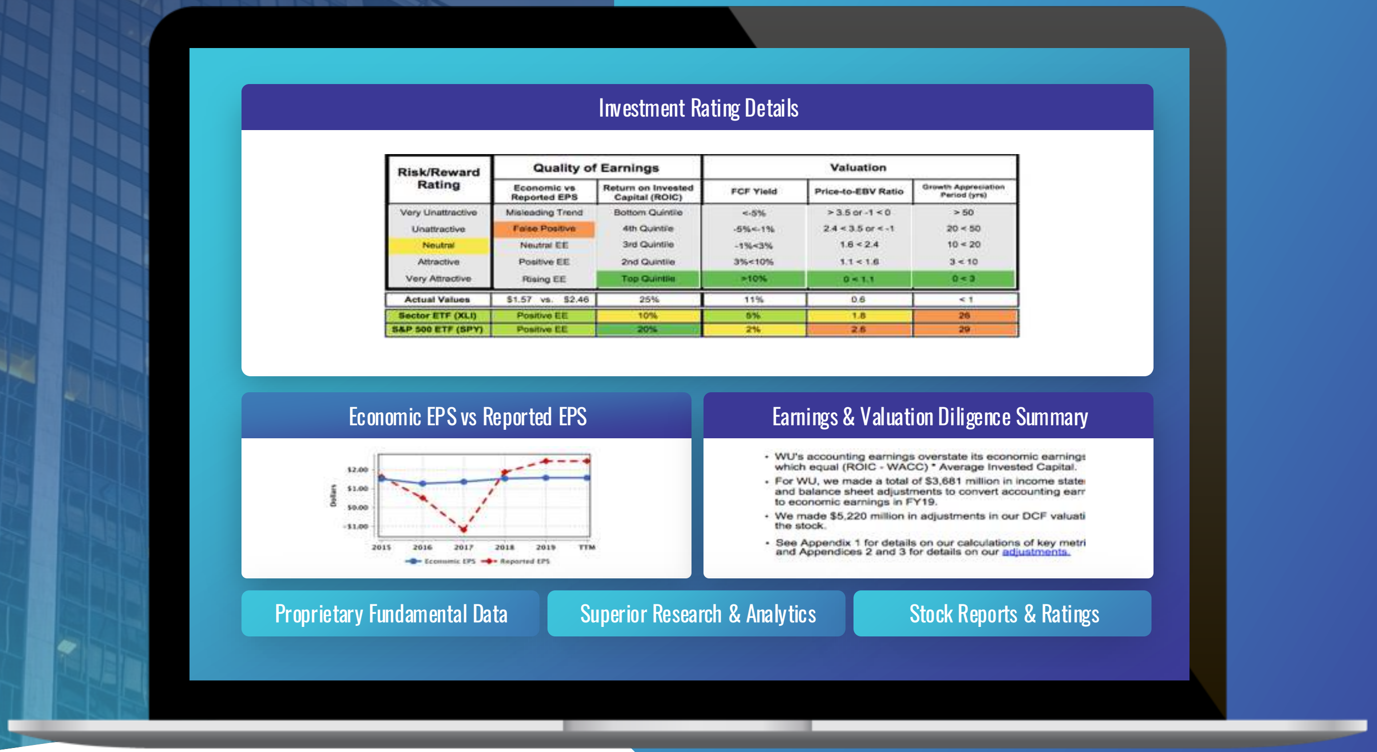
New Constructs®

For Havard Business School: Business Analysis and Valuation Class

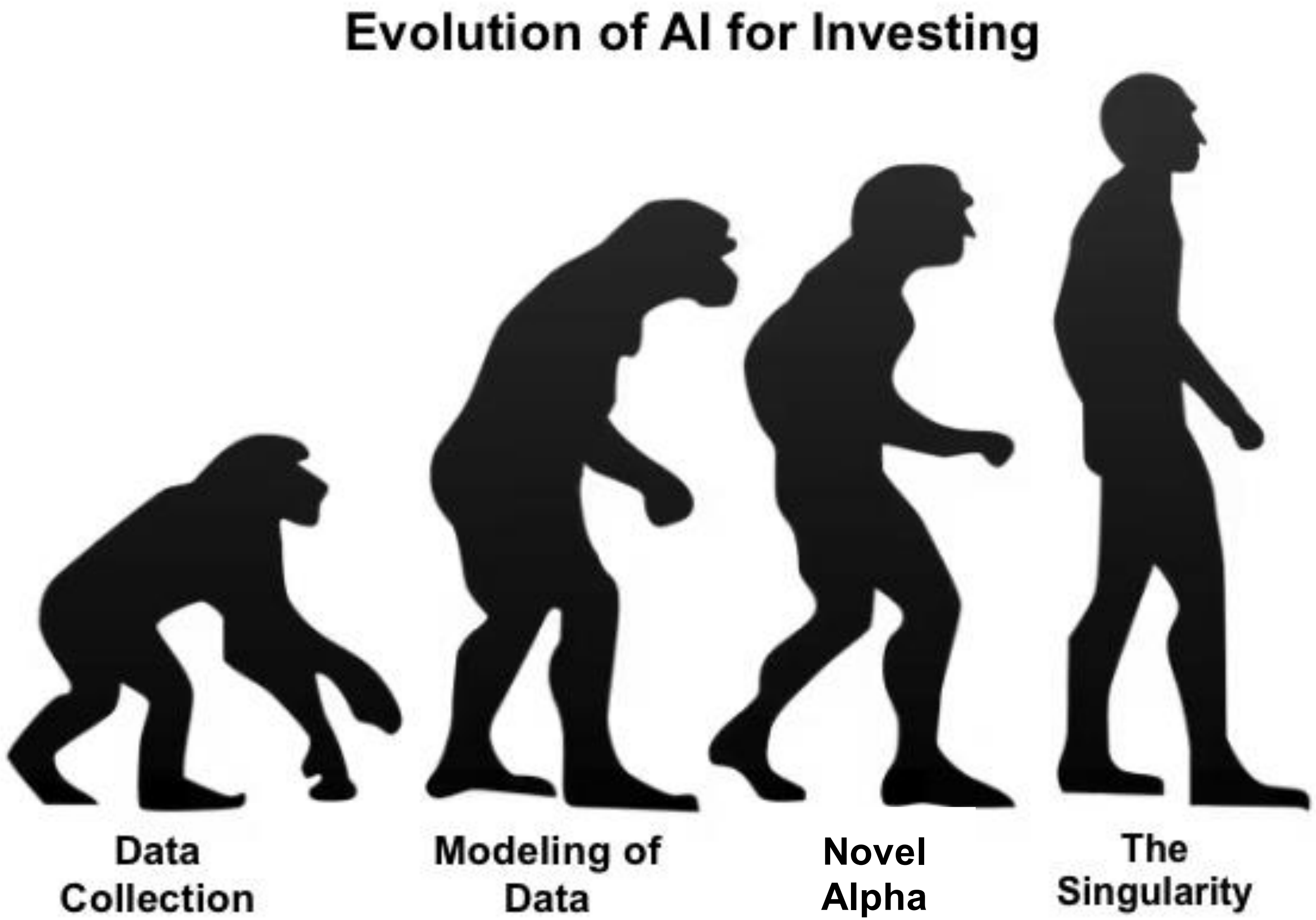
The Market Is Missing Footnotes*

How AI is evolving and will affect how your career.

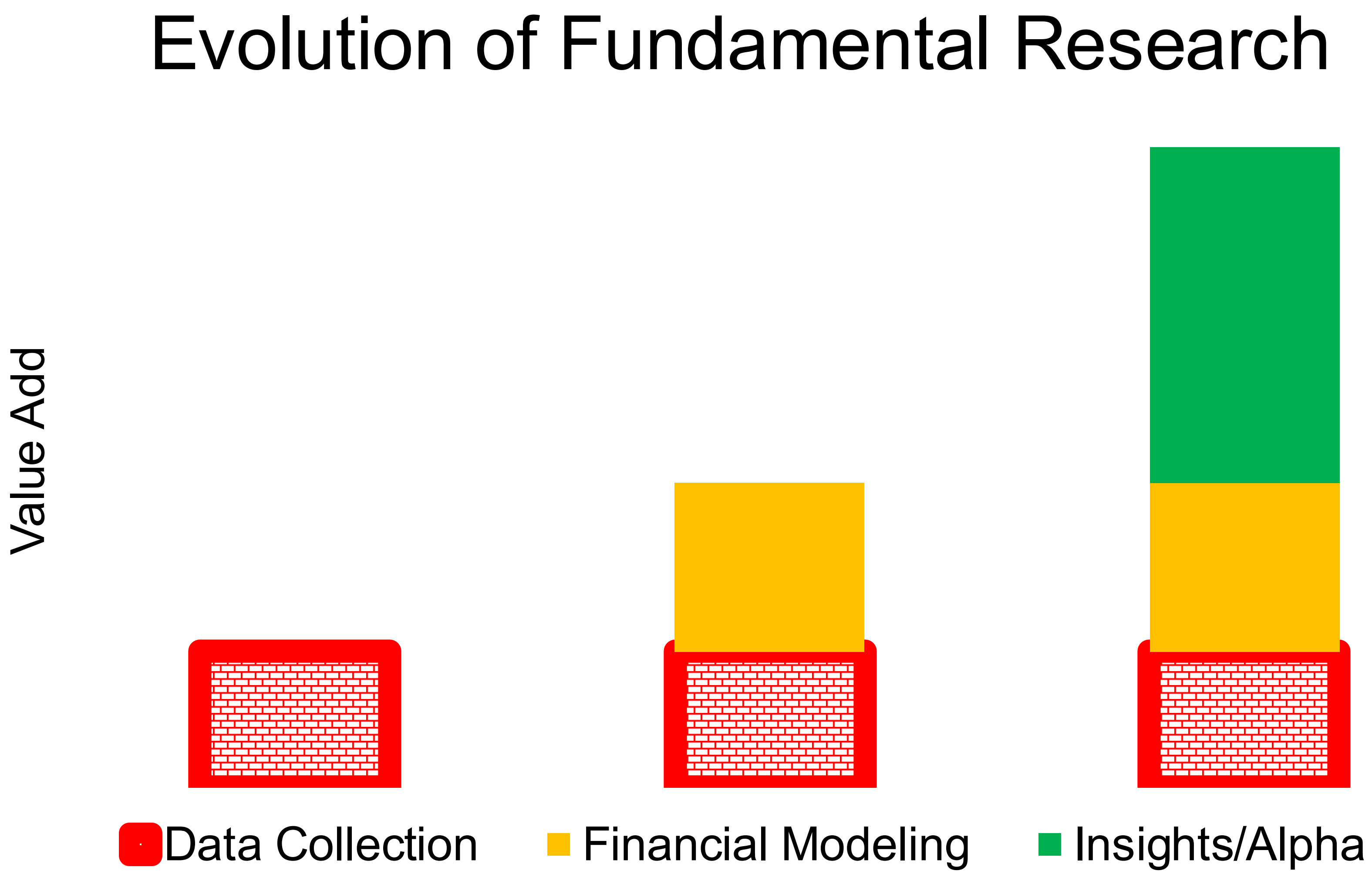


*Page 1, abstract, [Core Earnings: New Data and Evidence](), The Journal of Financial Economics.

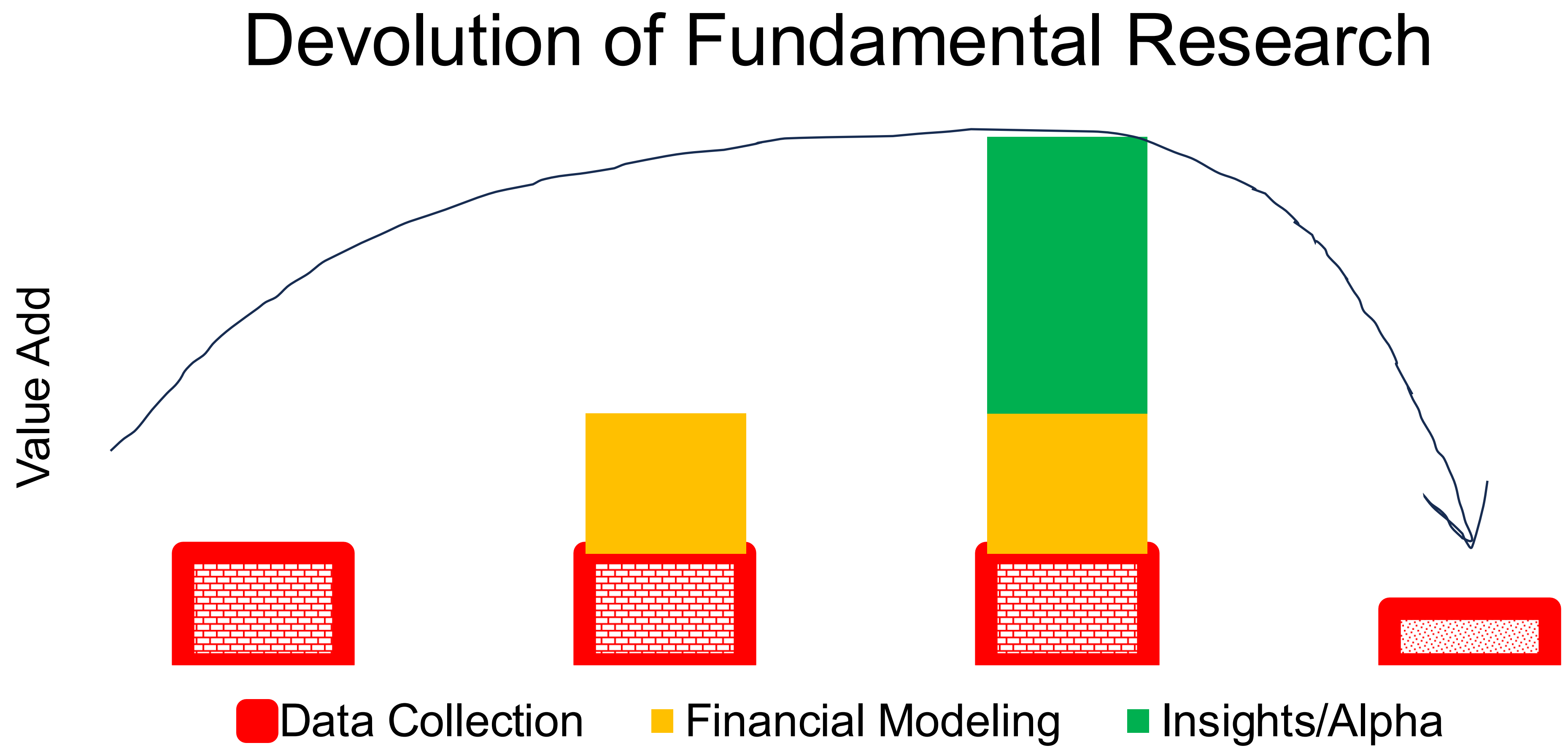
How AI Affects You



How AI Affects You

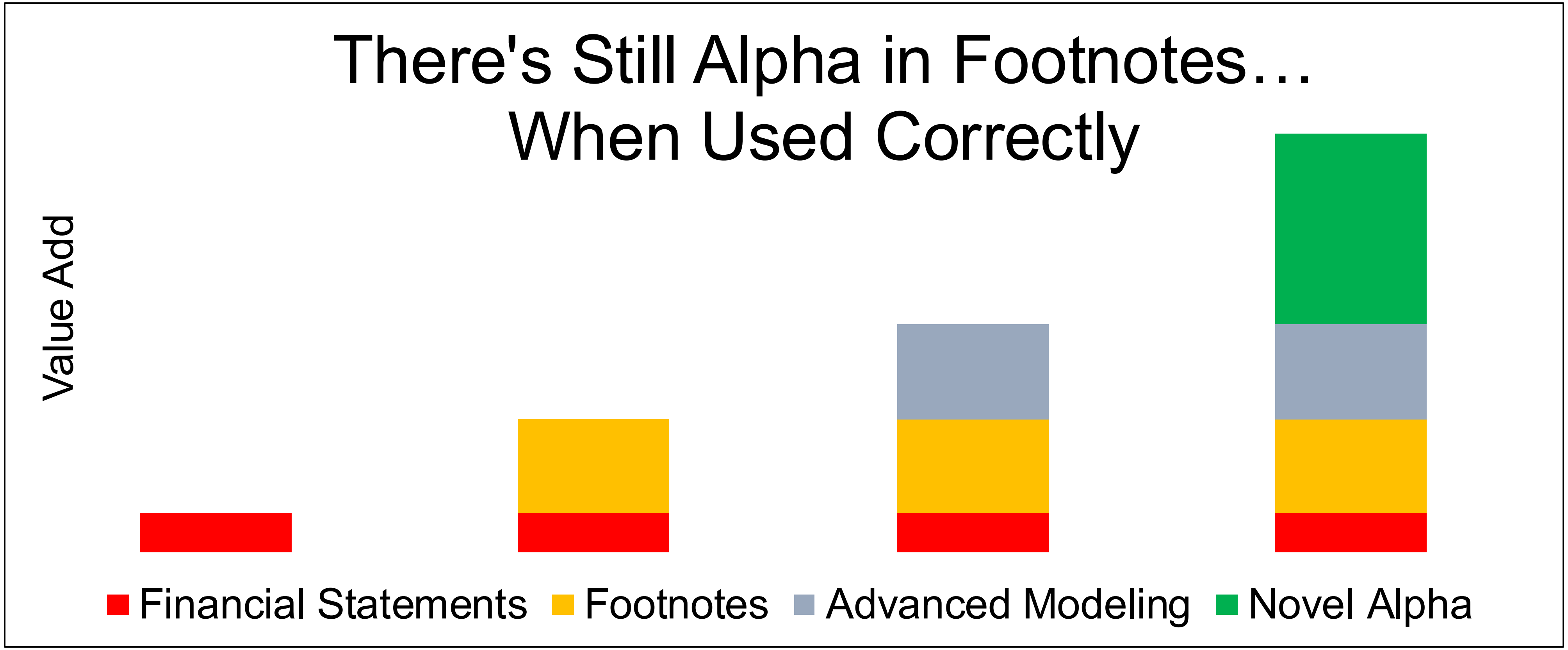


If the underlying data is not good, nothing built on it is reliable.



Practical Application to Your Career: AI Needs Better Input

Practical Application to Your Career



Core Earnings Leaders Index:

Superior Research Drives Novel Alpha

Bloomberg New Constructs Core Earnings Leaders Total Return Index

Following

Superior research drives real alpha - beats S&P 500 by 900+ basis points YTD

BCORET:IND
(USD) · Market open

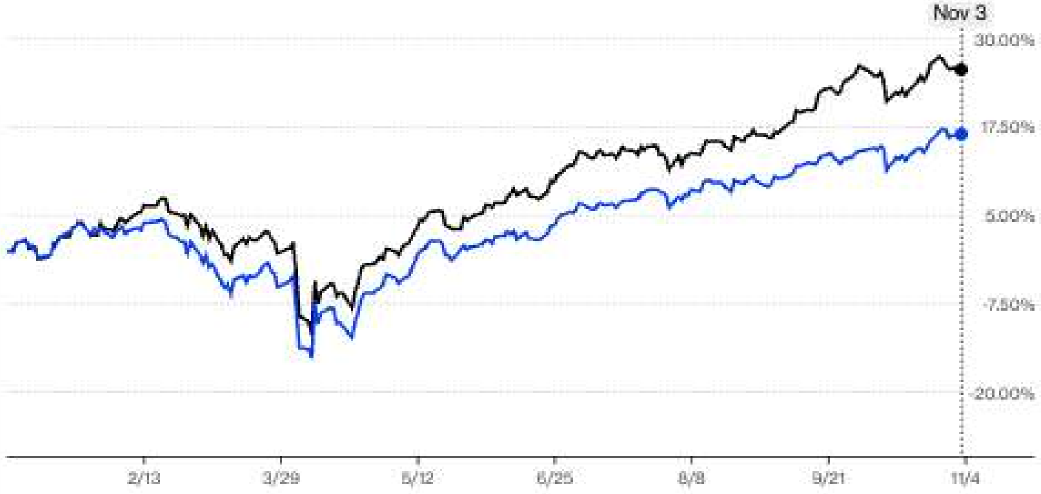
5,277.78 ▼33.74 -0.64%
As of 10:11 AM EST 11/04/25.

Summary | Related News | Index Info

1D 1M 6M YTD 1Y 5Y

SPX:IND

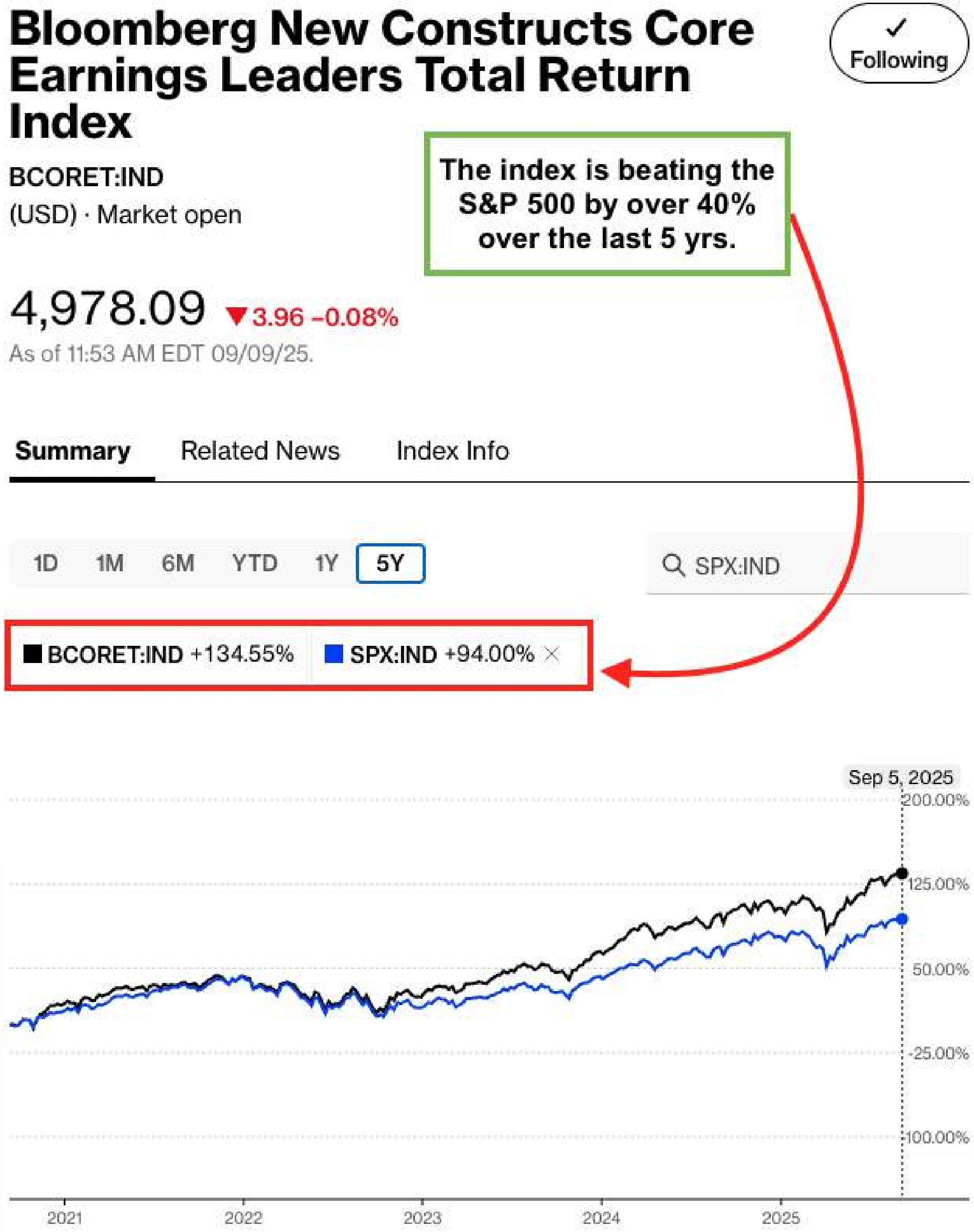
BCORET:IND +25.64% | SPX:IND +16.50%



New Constructs®

Core Earnings Leaders Index:

Superior Research Drives Novel Alpha



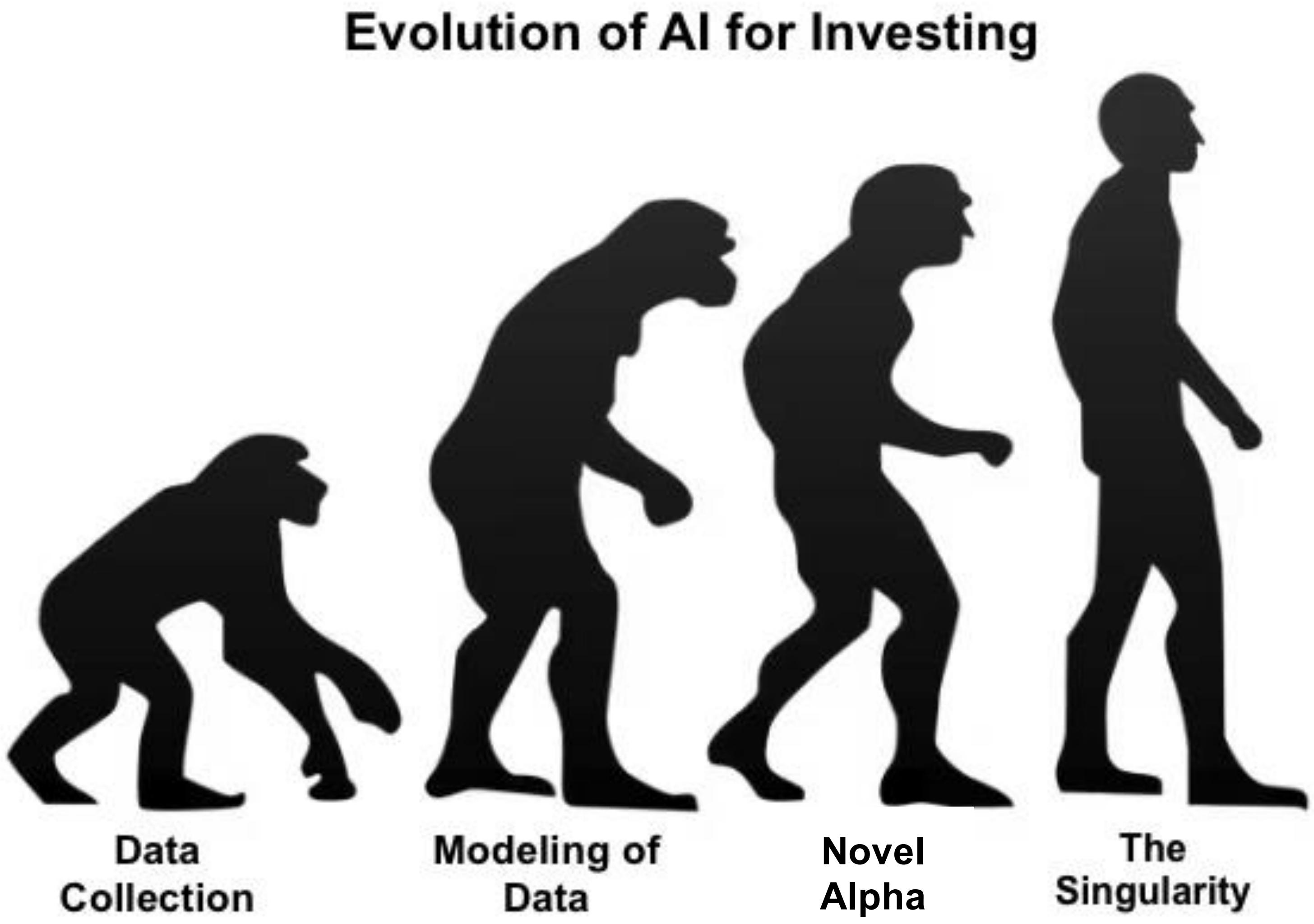
New Constructs®

More Live-Traded Indices Leverage our Ontology

1. Bloomberg New Constructs Ratings VA-1 Index ("**The Very Attractive Stocks Index**")
   - Ticker: BNCVA1T:IND

2. Bloomberg New Constructs 500 Index (“**Core Earnings-Weighted S&P 500 Index**”)
   - Ticker: B500NCT:IND

How Long Does Alpha Persist…. for Anything?



There is an AI Agent Based on our Ontology and Data

NEWSWIRE
an ACCESS Newswire brand

Products Pricing Customer Stories Resources Newsroom

New Constructs Partners with Google Cloud to Launch FinSights

PRESS RELEASE • NOV 6, 2025

> ***FinSights is an AI Agent for investing built on proprietary and proven superior fundamental data and research***

Google Cloud

New Constructs®

NASHVILLE, Tenn., November 6, 2025 (Newswire.com) - New Constructs, a leader in forensic financial data and research, announced a partnership with Google Cloud to introduce **FinSights**, an AI-powered financial research agent built on Google Cloud. FinSights uniquely combines **Google's Gemini models and Google Cloud's Vertex AI platform** with New Constructs' industry-leading, proprietary fundamental data, ontology and stock rankings.

FinSights is engineered to solve a critical problem in the AI-in-finance space: the over-reliance on flawed, accounting-based data. By training models on New Constructs' forensically adjusted financials and **Core Earnings** metrics, FinSights enables institutional and sophisticated investors to uncover true corporate performance, valuation, and risk, delivering insights that outperform conventional analyst frameworks.

Appendix

This AI Evolution Is Inevitable…

FEBRUARY 2018 (REVISED JUNE 2021) CASE HBS CASE COLLECTION

New Constructs: Disrupting Fundamental Analysis with Robo-Analysts

By: Charles C.Y. Wang and Kyle Thomas

ABOUT THE AUTHOR

Charles C.Y. Wang
Accounting and Management
→ More Publications

Harvard Business School

FACULTY & RESEARCH

Top Institutions Published Proof of Need for Footnotes

Superior Data & Novel Alpha

"[Core Earnings] is empirically distinct from commonly used alternatives and is less likely to be susceptible to compositional and selection biases found in analysts' and managerial estimates."

"Trading strategies that exploit non-core earnings produce **abnormal returns** of 8% per year."

Harvard Business School
MIT Management Sloan School

Source: Journal of Financial Economics, 2021

Superior Modeling & Analysis

"New Constructs' machine learning approach leverages technology to calculate ROIC by ***applying accounting adjustments that may be buried deeply in the footnotes*** across thousands of companies…The other advantage of New Constructs is the ***transparency*** in disclosing calculations and all the data behind them"

EY

Source: Ernst & Young, 2019

Superior Ratings

"The portfolios formed following the buy recommendations of [New Constructs'] Robo-Analysts earn ***abnormal returns*** that are statistically and economically significant."

Harvard Business School

Source: Harvard Business School, 2020

We spent 20 years optimizing the data collection and analysis process.

To develop a proprietary method for generating superior investment data at scale.

500K+

Number of financial filings manually labeled by our team of experts

To successfully develop…

Secret Sauce

Auto-Parsing Technology

Long, complex financial reports analyzed in minutes .

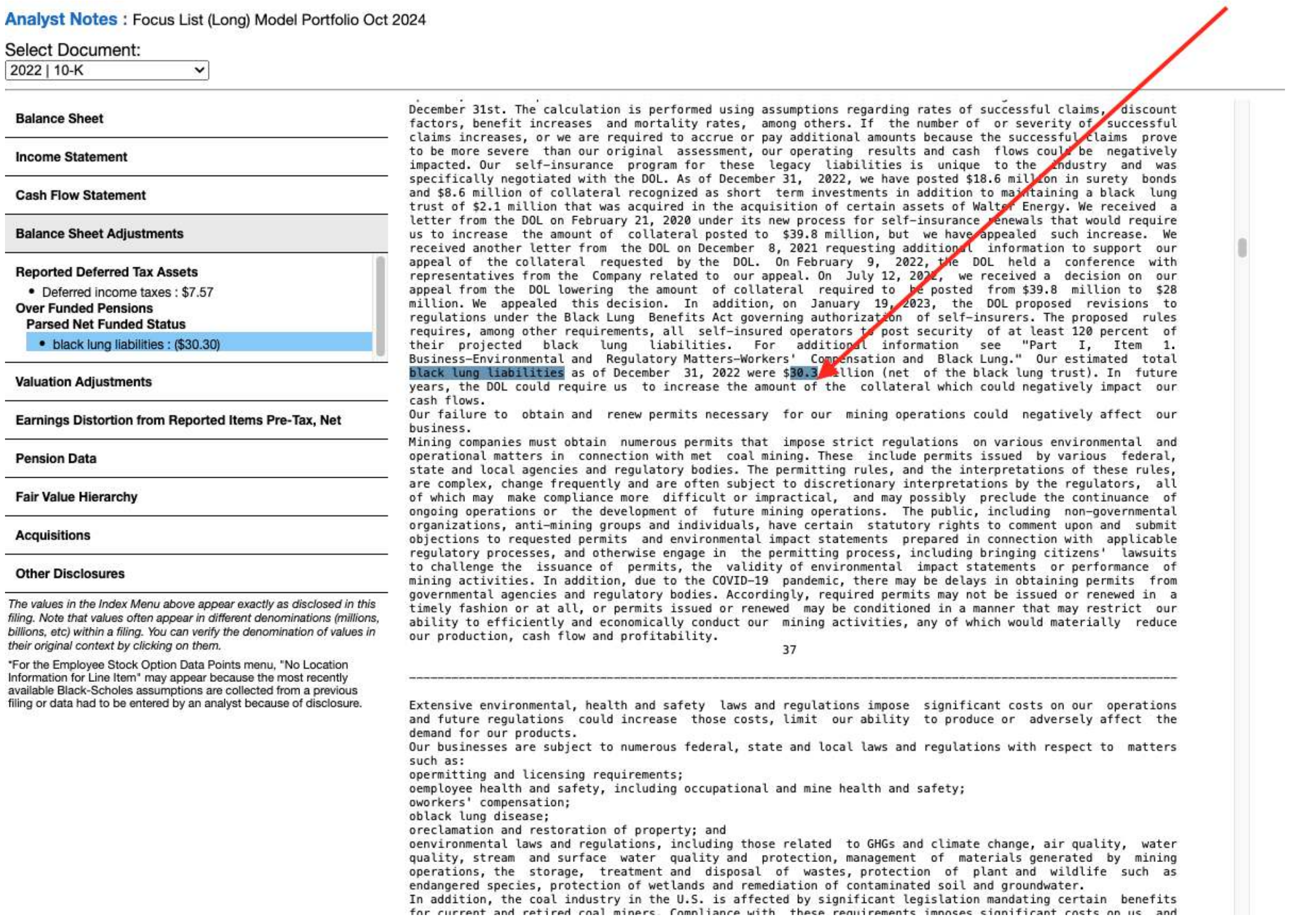
Proprietary Ontology

System for translating quantitative disclosures into standardized, accurate measures of Core Earnings.

Footnotes & MD&A Analysis

First company to successfully incorporate material items from footnotes and MD&As to generate superior earnings data.

Our AI-powered software crawls through thousands of 10-K and 10-Q filings



New Constructs

Examples of Footnotes Adjustments

Marked-Up Filings

Meta Platforms Inc (META)

Analyst Notes : None

Select Document:

2022 | 10-K

- **Balance Sheet**
- **Income Statement**
- **Cash Flow Statement**
- **Income Statement Adjustments***
- **Balance Sheet Adjustments**
- **Valuation Adjustments**
- **Earnings Distortion from Hidden Items, Net***

Net Non-Operating Expense Hidden in Operating Earnings

Pre-Tax Net Non-Operating Expense/(Income) Hidden in Operating Earnings

- Impairment charges for leases and leasehold improvements : (2,218.0)
- Abandonment charges for data center assets : (1,341.0)
- restructuring charges : 4,611.0

Asset Write-Downs Hidden in Operating Earnings

Reported Cumulative Value for Write Down Pre-Tax in Operating (Cash Flow)

- Impairment charges for leases and leasehold improvements : $2,218.00
- Abandonment charges for data center assets : $1,341.00

Our total deferred revenue was $526 million and $596 million as of December 31, 2022 and 2021, respectively. As of December 31, 2022, we expect $482 million of our deferred revenue to be realized in less than a year.

99

Table of Contents

Note 3. Restructuring

During the year ended December 31, 2022, we initiated several measures to pursue greater cost efficiency and to realign our business and strategic priorities.

Beginning in the third quarter of 2022, as a part of our facilities consolidation strategy, we made a decision to sublease, early terminate, or abandon several office buildings under operating leases to align our real property lease arrangements with our anticipated operating needs. As a result, we recorded impairment charges for the related operating lease right-of-use (ROU) assets and leasehold improvements.

In November 2022, we announced a layoff of approximately 11,000 of our employees across the FoA and RL segments. As a result, we recorded severance and other personnel related expenses for the impacted employees.

In December 2022, we reevaluated our data center investment strategy to improve efficiency and further advance our efforts around artificial intelligence. As a result, we decided to pivot several of our data center building projects to a next generation design while also canceling multiple existing data center projects. This strategy led to abandonment charges of the related data center assets.

A summary of our restructuring charges for the year ended December 31, 2022 by major activity type is as follows (in millions):

	Facilities Consolidation (1)	Severance and Other Personnel Costs	Data Center Assets	Total
Cost of revenue	$ 154	$ -	$ 1,341	$ 1,495
Research and development	1,311	408	-	1,719
Marketing and sales	404	234	-	638
General and administrative	426	333	-	759
Total	$ 2,295	$ 975	$ 1,341	$ 4,611

(1) Facilities consolidation includes impairment charges and accelerated expenses related to certain operating lease ROU assets and leasehold improvements.

Total restructuring charges recorded under our FoA segment were $4.10 billion and RL segment were $515 million.

The following table is a summary of the changes in the severance and other personnel liabilities included

Examples of Footnotes Adjustments

Marked-Up Filings

Meta Platforms Inc (META)

Analyst Notes : None

Select Document:

2023 | 10-K

- **Balance Sheet**
- **Income Statement**
- **Cash Flow Statement**
- **Income Statement Adjustments***
- **Balance Sheet Adjustments**
- **Valuation Adjustments**
- **Earnings Distortion from Hidden Items, Net***

Net Non-Operating Expense Hidden in Operating Earnings

Pre-Tax Net Non-Operating Expense/(Income) Hidden in Operating Earnings

- 2023 Restructuring : 1,197.0
- Severance : (27.0)
- Data : (224.0)

Asset Write-Downs Hidden in Operating Earnings

Pre-Tax Write-Down Hidden in Operating Earnings

- Facilities : 2,506.0

- **Earnings Distortion from Reported Items Pre-Tax, Net**
- **Future Minimum Operating Lease Payments**
- **Lease Costs**
- **Not Yet Commenced Lease Data**
- **Fair Value Hierarchy**
- **Other Disclosures**

(2)China revenue was $13.69 billion, $7.40 billion, and $7.59 billion for the years ended December 31, 2023, 2022, and 2021, respectively.

(3)Europe includes Russia and Turkey, and Rest of World includes Africa, Latin America, and the Middle East.

Our total deferred revenue was $675 million and $526 million as of December 31, 2023 and 2022, respectively. As of December 31, 2023, we expect $626 million of our deferred revenue to be realized in less than a year.

103

Table of Contents

Note 3. Restructuring

2023 Restructuring

In March 2023, we announced three rounds of planned layoffs to further reduce our company size by approximately 10,000 employees across the Family of Apps (FoA) and Reality Labs (RL) segments (the 2023 Restructuring). Impacted employees in our recruiting, technology, and business groups were notified during March 2023 to May 2023. As of December 31, 2023, we have completed these employee layoffs. In certain regions, a small portion of the impacted employees continue to be included in our reported headcount through 2024. We recognized $1.20 billion pre-tax severance and related personnel costs across the FoA and RL segments during the year ended December 31, 2023 in accordance with ASC Topic 420, Exit or Disposal Cost Obligations, where applicable.

A summary of our 2023 Restructuring pre-tax charges, including subsequent adjustments, recorded for severance and related personnel costs during the year ended December 31, 2023 is as follows (in millions):

	Year Ended December 31, 2023	
Research and development	$	422
Marketing and sales	308	
General and administrative	467	
Total (1)	$	$\boxed{1,197}$

(1) Includes $101 million of share-based compensation expense recognized for the 2023 layoffs during the year ended December 31, 2023.

The 2023 Restructuring charges recorded under our FoA segment were $1.10 billion and RL segment were $96 million during the year ended December 31, 2023.

The following is a summary of changes in the accrued severance and other personnel liabilities related to the 2023 layoff activities, included within accrued expenses and other current liabilities on our consolidated balance sheets (in millions):

	Severance Liabilities	
Balance as of January 1, 2023	$	-
Severance and other personnel costs	1,097	
Cash payments	(1,021)	
Balance as of December 31, 2023	$	76

2022 Restructuring

In 2022, we initiated several measures to pursue greater efficiency and to realign our business and strategic priorities. These measures included a facilities consolidation strategy to sublease, early terminate, or abandon several office buildings under operating leases, a layoff of approximately 11,000 employees across the FoA and RL segments, and a pivot towards a next generation data center design, including cancellation of multiple data center projects (the 2022 Restructuring). As of December 31, 2023, we have completed the data

Examples of Footnotes Adjustments

Marked-Up Filings

Meta Platforms Inc (META)

Analyst Notes : None

Select Document:
2023 | 10-K

Balance Sheet

Income Statement

Cash Flow Statement

Income Statement Adjustments*

Balance Sheet Adjustments

Valuation Adjustments

Earnings Distortion from Hidden Items, Net*

Net Non-Operating Expense Hidden in Operating Earnings

Pre-Tax Net Non-Operating Expense/(Income) Hidden in Operating Earnings

- 2023 Restructuring : 1,197.0
- Severance : (27.0)
- Data : (224.0)

Asset Write-Downs Hidden in Operating Earnings

Pre-Tax Write-Down Hidden in Operating Earnings

- Facilities : 2,506.0

2022 Restructuring

In 2022, we initiated several measures to pursue greater efficiency and to realign our business and strategic priorities. These measures included a facilities consolidation strategy to sublease, early terminate, or abandon several office buildings under operating leases, a layoff of approximately 11,000 employees across the FoA and RL segments, and a pivot towards a next generation data center design, including cancellation of multiple data center projects (the 2022 Restructuring). As of December 31, 2023, we have completed the data center initiatives and the 2022 employee layoffs, and substantially completed the facilities consolidation initiatives.

104

Table of Contents

A summary of our 2022 Restructuring pre-tax charges for the years ended December 31, 2023 and 2022, including subsequent adjustments, is as follows (in millions):

	Year Ended December 31, 2023				Year Ended December 31, 2022			
	Facilities Consolidation	Severance and Other Personnel Costs	Data Center Assets (1)	Total	Facilities Consolidation	Severance and Other Personnel Costs	Data Center Assets	Total
Cost of revenue	$ 177	$ –	$ (224)	$ (47)	$ 154	$ –	$ 1,341	$ 1,495
Research and development	1,581	(9)	–	1,572	1,311	408	–	1,719
Marketing and sales	396	(1)	–	395	404	234	–	638
General and administrative	352	(17)	–	335	426	333	–	759
Total	$ 2,506	$ (27)	$ (224)	$ 2,255	$ 2,295	$ 975	$ 1,341	$ 4,611

(1)Relates to changes in estimates in our data center restructuring charges recorded during 2022

Earnings Distortion Scores

▾ Earnings Distortion Summary

Earnings Distortion Score : **Beat**

This score means **A** is likely to beat expectations next quarter.

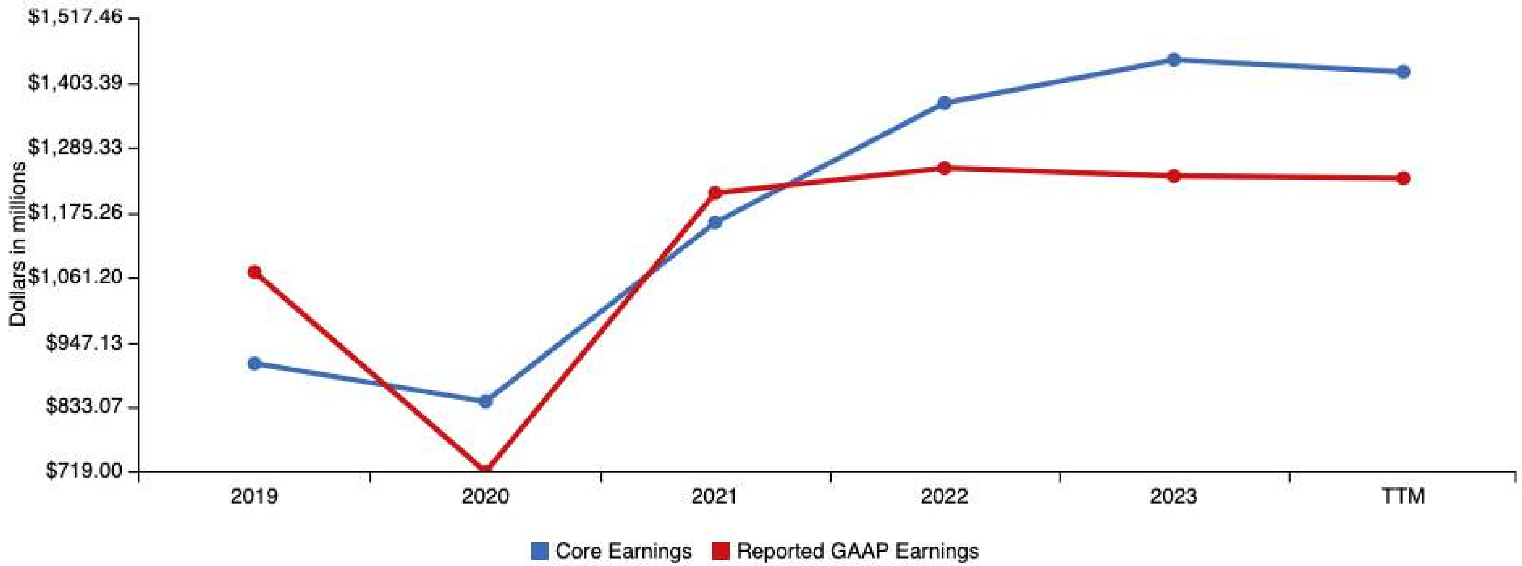
Earnings Distortion is -$0.64 per share, which is -15.18% of Reported Earnings and -1.71356% of Total Assets.

This means **A**'s reported earnings are understated because they include $0.64 of net unusual losses. Investors can find these net unusual losses only by analyzing footnotes. They do not appear on the income statement.

Compared to last year, Earnings Distortion fell by $0.42 per share, -195.0%.

Compared to last quarter, Earnings Distortion rose by $0.06 per share, 8.2%.

▾ Core Earnings vs. Reported GAAP Earnings



Stock Ratings

"Robo-Analysts Beat Human Analysts on Investment Picks."

– Vildana Hajric, Bloomberg News

Search for tickers or security names

Coverage   Stock Ratings Methodology

Agilent Technologies, Inc. (A)

Closing Price: $148.21 (May 28, 2024)
Market Value: $43.4 Billion
Dividend Yield: 0.6%
Sector: Healthcare
Latest Filing: 10-Q for period ending Jan 31, 2024
Next Expected Filing: 10-Q on May 30, 2024

Related Articles

Risk/Reward Rating	Quality of Earnings		Valuation		
	Economic vs Reported EPS	ROIC	FCF Yield	Price to EBV	Market-Implied GAP
Very Unattractive	Very Unattractive	Very Unattractive	Very Unattractive	Very Unattractive	**Very Unattractive**
Unattractive	Unattractive	Unattractive	Unattractive	**Unattractive**	Unattractive
Neutral	Neutral	Neutral	Neutral	Neutral	Neutral
Attractive	**Attractive**	**Attractive**	**Attractive**	Attractive	Attractive
Very Attractive	Very Attractive	Very Attractive	Very Attractive	Very Attractive	Very Attractive

Disclosures & Disclaimers

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 15 days after New Constructs issues a report on that security.

New Constructs is affiliated with Novo Capital Management, LLC, the general partner of a hedge fund. At any particular time, New Constructs' research recommendations may not coincide with the hedge fund's holdings. However, in no event will the hedge fund receive any research information or recommendations in advance of the information that New Constructs provides to its other clients.

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.