This Stock Failed the Core Earnings Leaders Test in July 2026

As Ben Hogan said:

"Golf is not a game of good shots. It's a game of bad shots."

Just one bad stock can ruin your portfolio, and that fact is precisely why doing proper diligence, and calculating an accurate measure of earnings, is so important.

Where Can You Find True Earnings?

Start with the Bloomberg New Constructs Core Earnings Leaders Index (BCORET:IND). This index holds stocks where deep diligence reveals businesses that are more profitable than the market realizes, i.e. Core Earnings[1] are higher than GAAP earnings. It beats the S&P 500 over the past year and five years. More details on index construction are here.

The alpha in the strategy above is possible only if you have access to the true Core Earnings of all companies in the Bloomberg 1000. Getting Core Earnings on that many companies requires a lot of work, more than humans can do. By work, we mean reading millions of pages of financial filings, particularly the footnotes, to remove non-operating and non-recurring items to calculate true Core Earnings.

Wall Street can't, or won't, do this work, because it's easier to calculate adjusted "EBITDA" or other metrics that help sell IPOs.

But, we do the work, and we have the alpha to prove it.

Avoid the Portfolio Traps

The index not only finds quality companies, but also avoids companies that are less profitable than the market realizes, i.e. Core Earnings are lower than GAAP earnings.

Below we detail one company that was recently dropped from the index when it rebalanced on July 17, 2026 because its Core Earnings no longer exceed GAAP earnings.

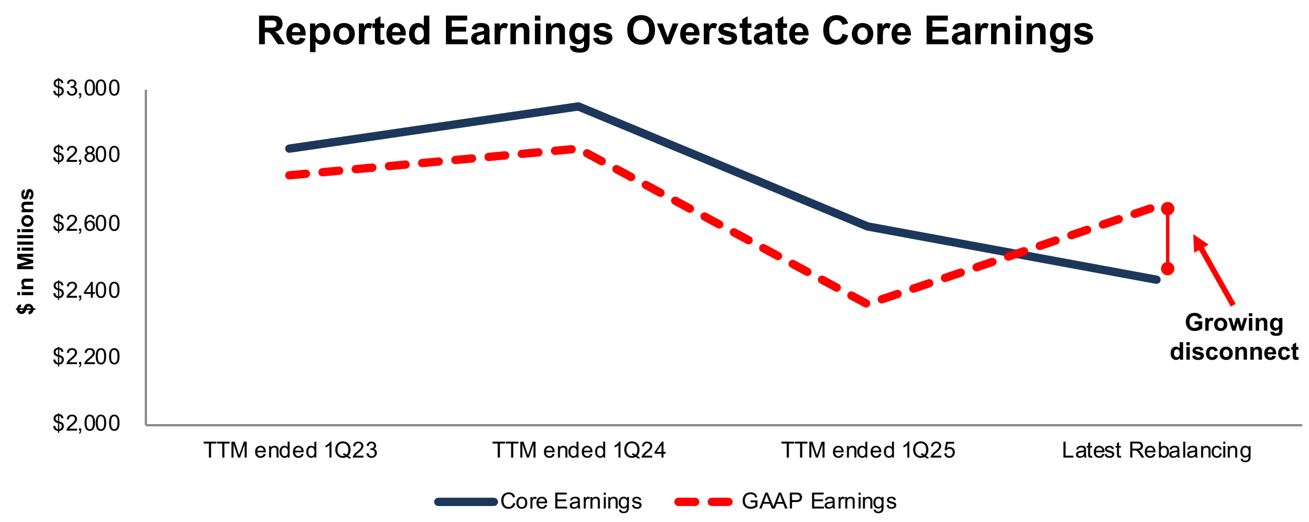
NXP Semiconductors N.V. (NXPI): Less Profitable Than You Know

NXP Semiconductors (NXPI: $231/share) lost its spot in the Bloomberg New Constructs Core Earnings Leaders Index as the company's Core Earnings fell while GAAP earnings grew in the TTM ended 1Q26 (latest filing available when the index rebalanced).

NXP Semiconductors' Core Earnings fell 6% year-over-year (YoY), from $2.6 billion in the TTM ended 1Q25 to $2.4 billion as of July 16th, the day before the index's rebalance date. GAAP earnings improved 12% over the same time, from $2.4 billion to $2.7 billion. See Figure 1.

[1] This Journal of Financial Economics paper by Harvard Business School and MIT Sloan professors empirically proves the idiosyncratic alpha in Core Earnings.

Figure 1: NXP Semiconductors' Core vs. GAAP Earnings: TTM ended 1Q23 – Latest Rebalancing



Sources: New Constructs, LLC and company filings

How We Reconcile NXP Semiconductors' GAAP Earnings to Core Earnings

Figure 2 details the hidden and reported unusual items that distort NXP Semiconductors' GAAP Earnings as of the latest rebalancing as a real-world example of the work we do for all companies we cover. We remove all of these unusual income and expense items from Core Earnings.

We provide these details so readers can audit our research and see the importance of reading 10-Ks and 10-Qs.

Figure 2 show the difference, what we call GAAP Earnings Distortion, between NXP Semiconductors' Core Earnings and GAAP Earnings.

Figure 2: NXP Semiconductors' GAAP to Core Earnings Reconciliation: As of Latest Rebalancing

	TTM ($ per share)
GAAP Earnings	$10.44
– Hidden Unusual Expenses Pre-Tax, Net	($0.98)
– Reported Unusual Income Pre-Tax, Net	$2.26
– Tax Distortion	($0.42)
= Core Earnings	**$9.58**

Sources: New Constructs, LLC and company filings.

Details on Key Data Found in the Footnotes

The difference between GAAP ($10.44) and Core Earnings ($9.58) is $0.87/share, or $220 million, and is comprised of the following:

Hidden Unusual Expenses Pre-Tax, Net = -$0.98/share, which equals -$249 million and is comprised of:

- -$249 million in net restructuring charges in the TTM period based on
  - -$2 million in 1Q26
  - -$177 million in 4Q25
  - -$3 million in 3Q25
  - -$67 million in 2Q25

Reported Unusual Income Pre-Tax, Net = $2.26/share, which equals $575 million and is comprised of:

- $624 million in other income in the TTM period based on

- $621 million in 1Q26
- $4 million in 4Q25
- -$2 million in 3Q25
- $1 million in 2Q25

- $15 million contra adjustment for recurring pension costs. These recurring expenses are reported in non-recurring line items, so we add them back and exclude them from Earnings Distortion.
- -$64 million in other financial expenses and expenses from MSA and TSA arrangements in the TTM period based on
  - -$13 million in 1Q26
  - -$24 million in 4Q25
  - -$17 million in 3Q25
  - -$10 million in 2Q25

Tax Distortion = -$0.42/per share, which equals -$106 million

Given that the majority of GAAP Earnings Distortion listed above is reported, specifically $600+ million in other income, which NXP Semiconductors discloses is mainly a gain on sale recorded in other income, unknowing investors may assume Wall Street adjusts for these items accordingly.

However, NXPI receives 22 Buy or Overweight ratings and just 8 Hold or Sell ratings on Wall Street.

Without making these material adjustments and calculating Core Earnings, investors would not realize how overstated GAAP Earnings are.

Investors armed with Core Earnings see the true profitability of NXP Semiconductors. With this edge, we see that the company is less profitable than its GAAP earnings indicate, which is why it was removed from the Bloomberg New Constructs Core Earnings Leaders Index in the July 2026 rebalance.

NXP Semiconductors Is Likely to Miss Earnings and Expensive Too

NXP Semiconductors' GAAP Earnings Distortion Score is Miss. Our GAAP Earnings Distortion scores provide a short-term predictor of the likelihood of a company to miss expectations in the next quarter based on how much unusual gains and losses cause earnings estimates to be over or understated.

While the company is profitable, as evidenced by the positive Core Earnings in Figure 1, it is less profitable than reported earnings indicate. Additionally, the expectations for future profit growth baked into the stock at its current price leave the stock with strong downside risk.

NXP Semiconductors has a price-to-economic book value (PEBV) ratio of 3.0, which means the market expects the company's profits to triple from current levels. Additionally, NXP Semiconductors has a market-implied growth appreciation period (GAP) of greater than 100 years based on our Robo-Analyst's default scenario in our reverse discounted cash flow (DCF) model.

Despite trading at $231/share, NXP Semiconductors has an economic book value (EBV), or no-growth value, of $76/share, or 67% below its current price, in large part because of its fair value of total debt of $10.4 billion, $362 million in minority interests, and $343 million in underfunded pensions.

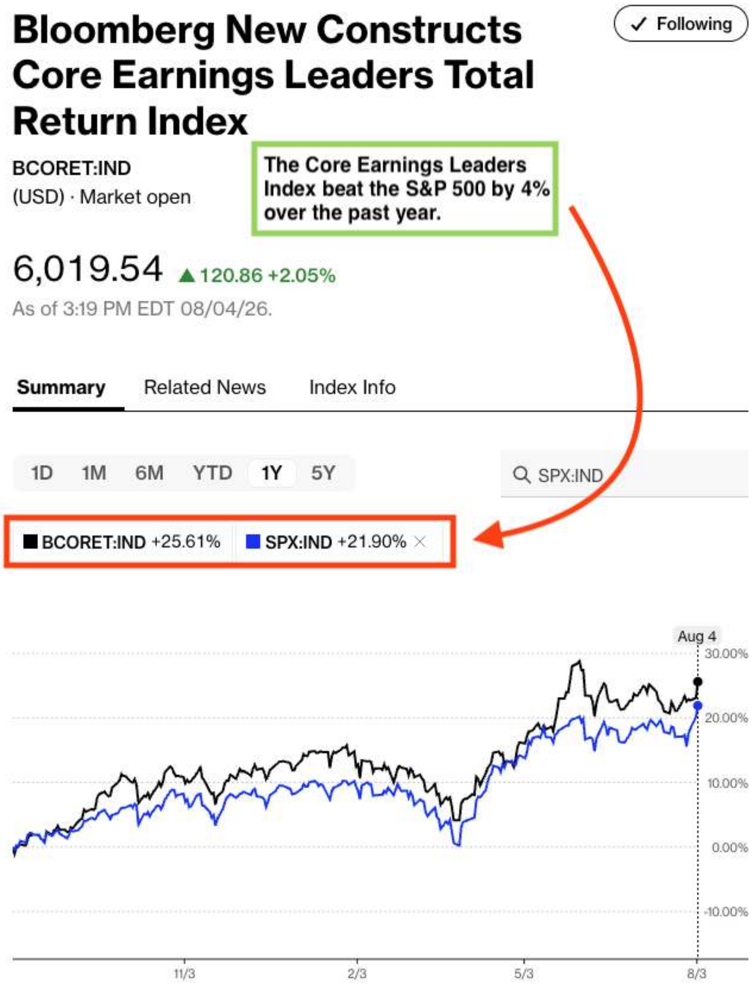
Proof Is In Performance

You don't have to take our word for it when we say picking stocks based on Core Earnings drives novel alpha.

The outperformance of the Bloomberg New Constructs Core Earnings Leaders Index provides real-time proof.

The Bloomberg New Constructs Core Earnings Leaders Index, which allocates based on Earnings Capture and Core Earnings, beat the S&P 500 by 4% over the past year. The Index (ticker: BCORET:IND) was up 26% while the S&P 500 was up 22%.

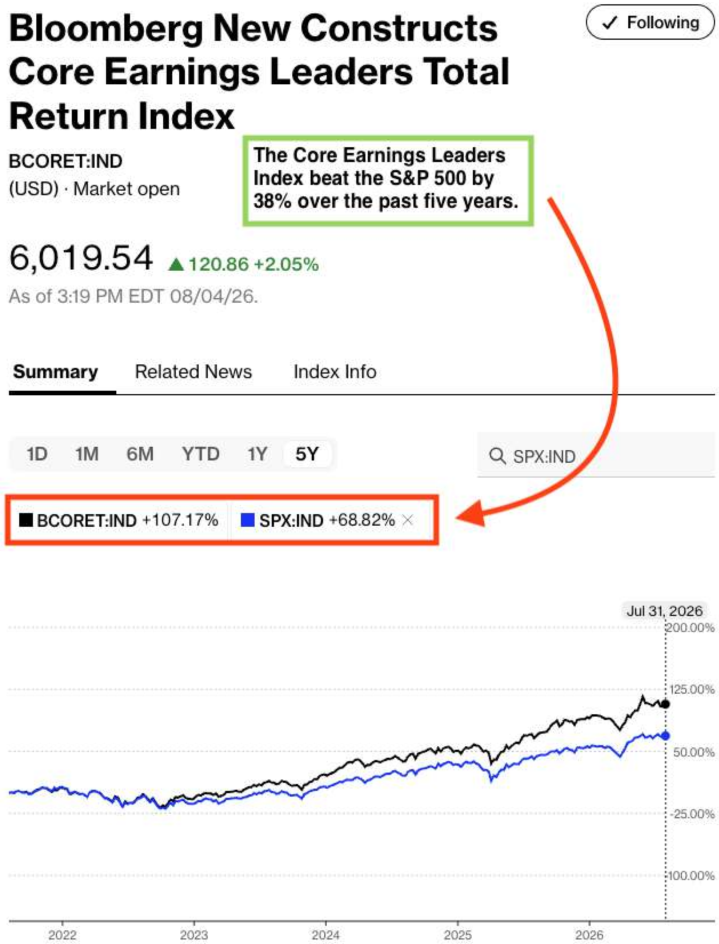
Figure 3: Bloomberg New Constructs Core Earnings Leaders Index Outperforms S&P 500: One Year



Sources: Bloomberg as of August 4, 2026
Note: Past performance is no guarantee of future results.

The Bloomberg New Constructs Core Earnings Leaders Index beat the S&P 500 by 38% over the past five years. The Index was up 107% while the S&P 500 was up 69%.

Figure 4: Bloomberg New Constructs Core Earnings Leaders Index Outperforms S&P 500: Last 5 Years



Sources: [Bloomberg]() as of July 31, 2026
Note: Past performance is no guarantee of future results.

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Disclosure: David Trainer and Kyle Guske II 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 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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