The New Constructs Most Wanted List: Worst AI Earnings Manipulators (Free, Abridged)

We've documented, in deep detail, the many ways AI companies are hiding trillions in off-the-books debt to support their AI spending. We were the first to warn investors about Residual Value Guarantees. Today, we're here to warn of a new risk that these companies and their Wall Street bankers hope investors never notice.

$1.4 Trillion in Hidden Earnings Expectations

This new risk is major earnings manipulation by AI companies: the unspoken incremental earnings they must earn on the $3.6 trillion in off-the-books debt to prevent their stock prices from getting crushed. No one else is raising this red flag, as far as we can tell, perhaps because alerting investors would cause stock prices of AI companies to plummet.

Specifically, the issue is that the top 25 companies in the S&P 500 (by market cap) must generate $1.4 trillion in new profit on top of what they already earn to justify their ~$4 trillion in hidden debt. We call this required return the hidden earnings expectations (see details in Appendix), and it's a risk we think the market is missing.

Another way to think about these incremental earnings is as the incremental net operating profit after tax (NOPAT) required for the AI companies to create economic value from the off-the-books debt that is comparable to what they create from their on-the-books assets. Otherwise, the AI investments are dilutive to economic returns on capital.

How Companies Hide Trillions in Debt & Obligations

First, let's take a second to remind readers how companies hide debt off the books so they can manipulate their earnings and operating cash flow with operating leases, residual value guarantees, and purchase commitments.

Like other accounting loopholes, companies disclose these off-balance sheet commitments in the footnotes under multiple names, such as purchase commitments, unconditional purchase obligations, or contractual commitments. Each achieves the same goal: keeping future non-cancelable commitments off the balance sheet.

Figure 1: Example of Purchase Commitment in Alphabet's 2Q26 10-Q


New Constructs®

Marked-Up Filings

Alphabet, Inc. (GOOGL)

Analyst Notes : Acquiring Wiz Inc. for $32B

Select Document:
2026 | 10-Q2

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

through Rule 10b5-1 plans. The repurchase programs do not have an expiration date.
Accrued Legal and Regulatory
As of June 30, 2026, we had short-term accrued legal and regulatory fines and settlements of $17.4 billion. This amount primarily included EC fines, in addition to accruals related to other legal matters and regulatory fines and settlements. For additional information, see Note 10 of the Notes to Consolidated Financial Statements included in Item 1 of this Quarterly Report on Form 10-Q.
Taxes
As of June 30, 2026, we had long-term income taxes payable of $11.3 billion primarily related to unrecognized tax benefits. The timing and amount of any payment related to these unrecognized tax benefits are uncertain and cannot be estimated.
Purchase Commitments and Other Contractual Obligations
As of June 30, 2026, we had material purchase commitments and other contractual obligations totaling $811.0 billion, of which $200.7 billion was short-term. These purchase commitments primarily relate to costs for technical infrastructure and inventory through long-term supply agreements and open purchase orders. Additional contractual obligations include commitments for content licenses and energy take-or-pay contracts. For additional information related to our long-term supply agreements, energy take-or-pay contracts, and content licenses, see Note 10 of the Notes to Consolidated Financial Statements included in Item 1 of this Quarterly Report on Form 10-Q.
As of June 30, 2026, we provided backstops in the form of financial guarantees and credit derivatives with maximum potential amount of future payments of $7.6 billion and $43.8 billion, respectively. Upon a default under these backstops, we retain the right to assume the underlying leases for internal use or to sublease to

Sources: New Constructs, LLC and company filings

Hidden Obligations Are Huge: 3 Times as Large as On-the-Books Debt

Across our coverage universe, we've identified over $3.3 trillion (and counting) in disclosed purchase commitments alone. The five largest hyperscalers disclosed $1.5 trillion in purchase commitments in their latest filings.

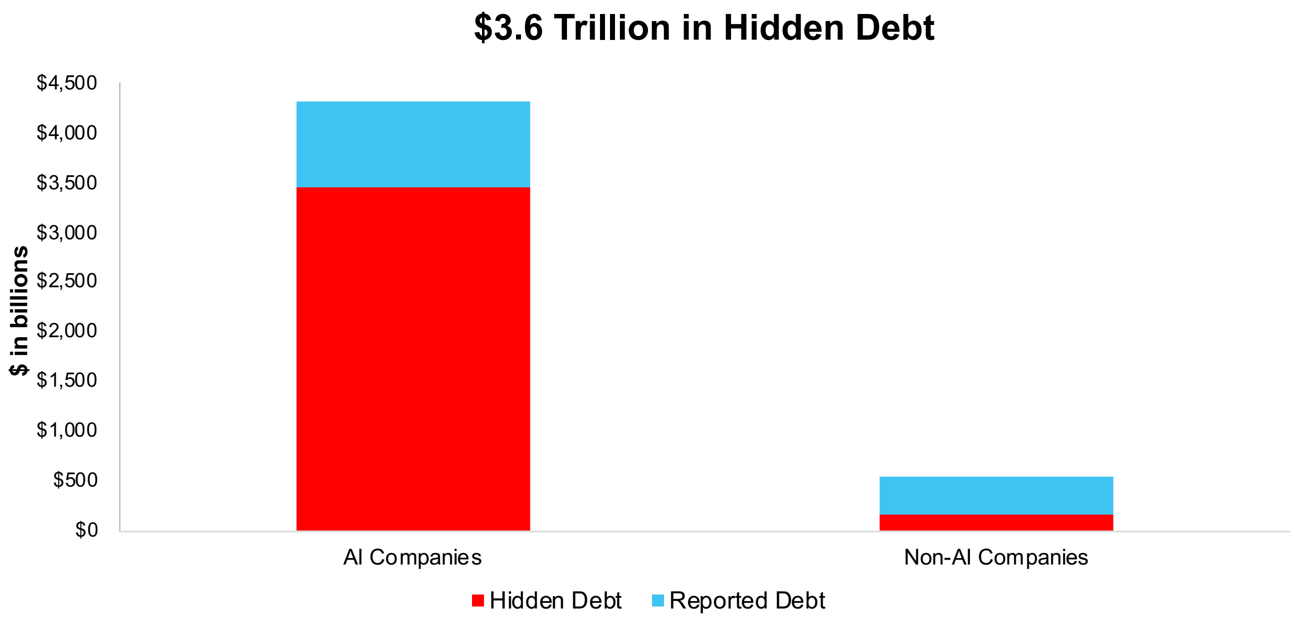
When we account for all hidden debt, which includes the present value of purchase commitments, not-yet-commenced leases, and operating leases, the liabilities are even larger.

AI Companies Are the Biggest Offenders by Far

The 25 largest (by market cap) companies in the S&P 500 hold $4.9 trillion in total debt, which consists of ~$3.6 trillion in hidden debt and ~$1.2 trillion in reported debt.

AI companies within this group (13 companies) hold $3.5 trillion in hidden debt (95% of ~$3.6 trillion hidden debt) and $851 billion in reported debt (69% of ~$1.2 trillion in reported debt).

Figure 2: Hidden and Reported Debt Across the 25 Largest S&P 500 Companies: TTM



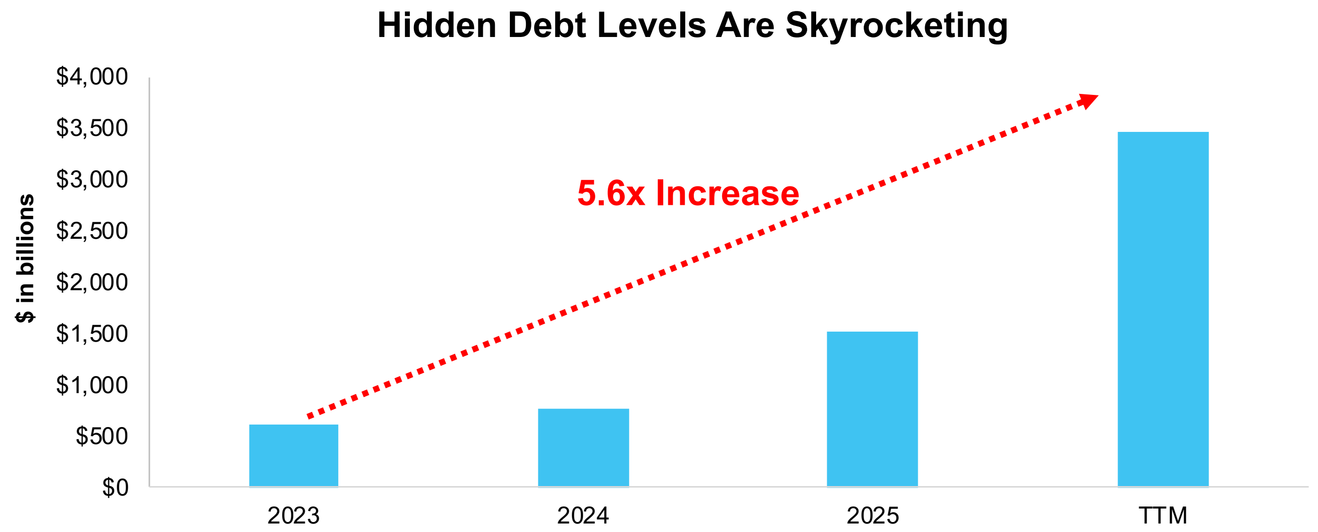
Sources: New Constructs, LLC and company filings
* AI Companies in this analysis include companies in the top 25 (by market cap) of the S&P 500 that we consider AI or AI related companies. Specific tickers available in full report only.

Growing Like a Weed

Figure 3 illustrates the speed at which the companies are piling on hidden debt. Of the AI companies in the top 25 (by market cap) of the S&P 500, hidden debt has increased from $623 billion in 2023 to $3.5 trillion over the TTM, or a 5.6x increase.

We think companies are pouring trillions into AI so they can cash in on the AI mania in much the same way Wall Street and big corporations cashed in on the internet bubble back in 1999.

Figure 3: Hidden Debt: AI Companies in Top 25 S&P 500: 2023 – TTM



Sources: New Constructs, LLC and company filings
*AI Companies in this analysis include companies in the top 25 (by market cap) of the S&P 500 companies that we consider AI or AI related companies. Specific tickers available in full report only.

Exposing the Earnings Manipulation Trick Due to Hidden Debt

Hidden debt doesn't just increase liabilities. It also raises earnings expectations.

In theory, the purpose of the stock market is to assign value to companies based on the economic value the companies generate. Economic value, aka economic earnings, equals invested capital times [return on invested capital (ROIC) minus the weighted-average cost of capital (WACC)].

To keep investors happy, companies need to earn the same (or higher) return (e.g. ROIC) on the off-balance sheet capital as they earn on the on-balance sheet capital. Hidden capital needs to generate the same or better economic value or ROIC, or else why deploy it? We call this required return on hidden capital the "hidden earnings expectations."

We're not here to make a claim that the huge AI spend will or will not pay off. That's not the question investors need to answer. But, they do need to know the earnings manipulation trick being played on them to avoid owning stocks that could implode.

This report exposes that risk by quantifying the level of incremental future earnings from off-balance-sheet AI debt required to keep stock prices from cratering. As the hidden debt keeps growing, so does the required earnings growth. The longer profits lag the required level, the more the market is paying for returns that haven't materialized. And, the risk that certain stocks will implode grows.

The Math Is Simple

Here's how we quantify hidden earnings expectations for AI companies.

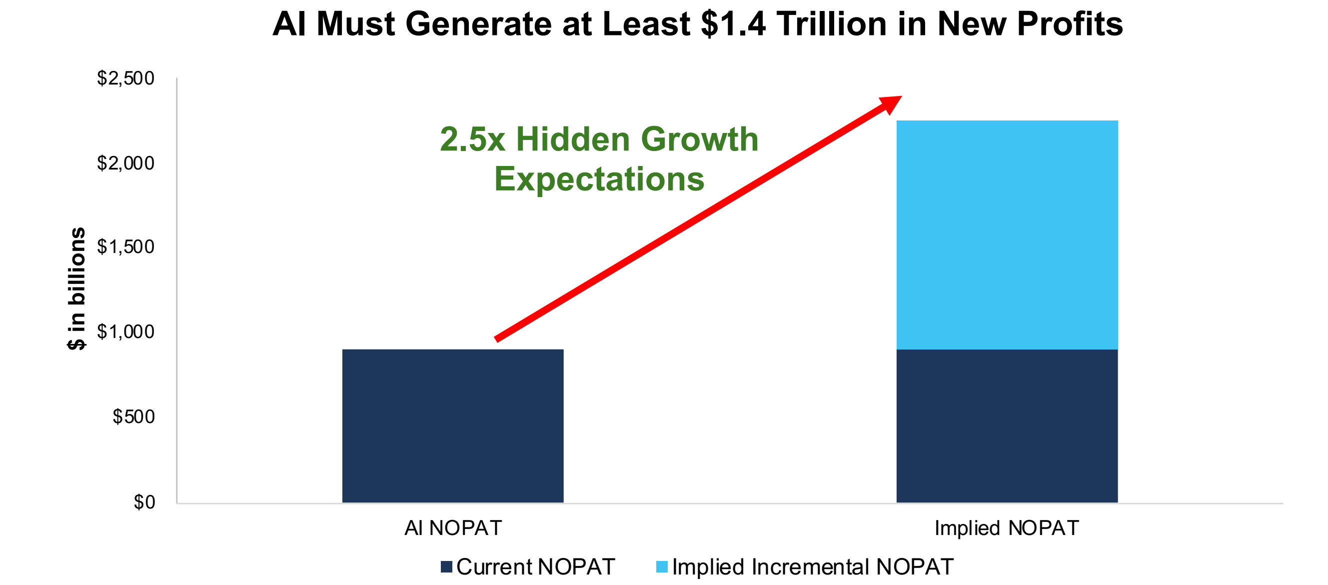
1. Measure the ROIC before the companies added hidden debt, which is 39% on average.
2. Multiply that ROIC by the amount of hidden debt, which is $3.6 trillion in total.
3. The result is $1.4 trillion in incremental net-operating profit after-tax (NOPAT).

Combined with the NOPAT they're already generating, the new NOPAT of the AI companies must be 2.5x higher than current levels to earn an adequate ROIC on their hidden debt. See Figure 4.

If the AI companies earn a lower ROIC on the hidden debt, then their AI investments are less profitable than their existing business. In which case, the stock market should reassess their value lower to align with a less profitable business model.

You won't find these hidden earnings expectations anywhere else because no one else has (1) accurate ROIC data or (2) the complete hidden debt obligations data.

Figure 4: Implied Incremental NOPAT to Generate Adequate ROIC on Hidden Debt



Sources: New Constructs, LLC and company filings
*AI Companies in this analysis include companies in the top 25 (by market cap) of the S&P 500 companies that we consider AI or AI related companies. Specific tickers available in full report only.

The Most Wanted List: Worst Earnings Manipulators

We're here to help investors bring these companies to justice. Figure 5 lists the top 10 companies from S&P 500 with the worst earnings manipulation, or largest hidden earnings expectations. The full list is only available in the full report here.

We consider these companies the worst earnings manipulators because, by keeping trillions in debt off the balance sheet, they're also hiding from investors the profit growth required to keep Mr. Market from rerating their stocks.

Alphabet (GOOGL), which is the second company on the list, has $333 billion in hidden earnings expectations which are driven heavily by the sheer quantity of its hidden debt, which sits at $775 billion.

Figure 5: 10 Most Wanted Earnings Manipulators: Time for Justice

		$ in billions					
Company	Ticker	Hidden Debt	Pre AI ROIC	Hidden Earnings Expectation	Current NOPAT	New Total NOPAT to earn adequate ROIC	Implied NOPAT growth
							262%
Alphabet	GOOGL	$775	43%	$333	$128	$460	261%
							256%
							168%
							123%
Available in full report only							46%
							39%
							38%
							36%
							24%

Sources: New Constructs, LLC and company filings. Note: these companies come from the top 25 (by market cap) in the S&P 500.

The takeaway for investors: don't just track how much debt, on and off the books, these companies are taking on. Track how much their earnings need to grow to keep their stock prices from imploding.

We think it's fair to treat any AI company whose profit growth is falling behind its hidden earnings expectations as a stock that is getting more expensive and more risky, no matter what traditional valuation metrics may say.

This article was originally published on [September 23, 2026](#).

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.

Appendix: Here's the Math

Hidden earnings expectations quantify how much incremental profit a company must generate on its hidden debt to earn a specific ROIC. Because this debt is hidden from balance sheets, most investors don't know to expect a company to earn a return on it, which is why we consider the earnings expectations "hidden".

We calculate hidden earnings expectations accordingly:

Hidden Debt X ROIC = Hidden Earnings Expectation

The hidden earnings expectation measures how much incremental profit a company must generate on its hidden debt to earn a specific ROIC on the hidden debt.

For the analysis throughout this report, we assume the ROIC each company must earn equals it's "Pre-AI" ROIC, or the ROIC the company earned before AI spending skyrocketed. We think these assumptions accurately hold companies accountable for their AI spend by expecting them to generate a return that is at least on par with the ROIC of the business before the heavy investment took place.

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.

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.