



Free Stock Pick from our Most Attractive Stocks Model Portfolio for February 2025

Earnings keep rolling in, and we are actively updating our models with the latest 10-Qs and 10-Ks as fast as possible. We don't want you to miss out on any investment opportunities. We have also been hosting Earnings Watch Parties to give you the insights you won't get elsewhere. See replays of our recent watch parties [here](#).

Earnings season brings a lot of noise to the market, and Wall Street absolutely loves to profit off the noise. How do you get past the noise and find the truth behind the rosy narratives?

Answer: use our [trustworthy](#) and [proven-superior](#) research. We give you an edge over Wall Street when we give you the truth about a company's true profitability. We are fully transparent with our research and models, so you can make more informed investment decisions.

Regardless of the market conditions, there are always opportunities as long as one has the tools to identify strong businesses trading at undervalued prices, which is the focus of our [Most Attractive Stocks](#) Model Portfolio.

This week's free stock pick is featured from our Most Attractive Stocks Model Portfolio.

You can find the free pick below along with a concise summary of why we like the stock. It is not a full Long Idea report, but it gives you insight into the rigor of our research and approach to picking stocks. Whether you're a subscriber or not, we think it is important that you're able to see our research on stocks on a regular basis. We're proud to share our work.

Keep an eye out for the [free pick](#) from our Most Dangerous Stocks Model Portfolio, which will be published this week as well! The work that goes into that report is just as valuable.

We hope you enjoy this research. Feel free to share with friends and colleagues!

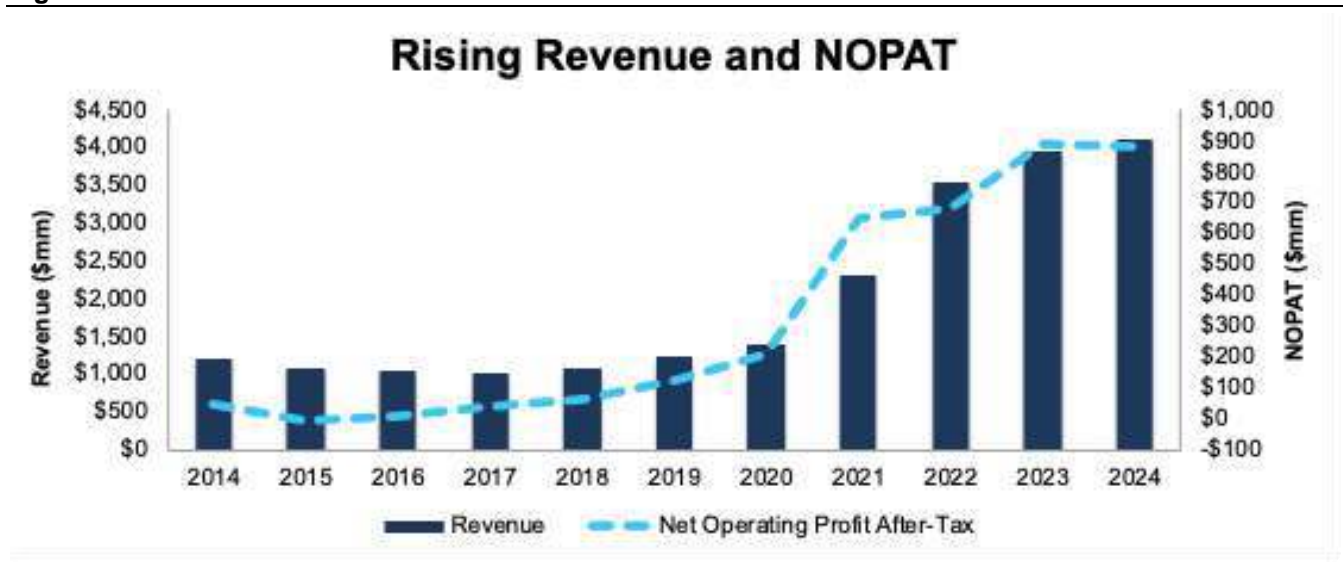
If you're looking for more picks like this one, then check out our latest free training on the [Golden Metric for picking stocks](#).

We update this Model Portfolio monthly. The latest [Most Attractive](#) and [Most Dangerous](#) stocks Model Portfolios were updated and published for clients on February 5, 2024.

Free Most Attractive Stocks Pick: Crocs Inc. (CROX)

Crocs Inc. (CROX: \$109/share) is the featured stock from February's Most Attractive Stocks Model Portfolio.

Crocs has grown revenue and net operating profit after tax ([NOPAT](#)) by 13% and 35% compounded annually since 2014, respectively. Crocs' NOPAT margin increased from 4% in 2014 to 22% in 2024 while [invested capital turns](#) fell from 1.3 to 1.0 over the same time. Rising NOPAT margins are enough to offset falling invested capital turns and drive Crocs' return on invested capital ([ROIC](#)) from 5% in 2014 to 22% in 2024.

**Figure 1: Crocs' Revenue and NOPAT Since 2014**

Sources: New Constructs, LLC and company filings

Crocs Is Undervalued

At its current price of \$109/share, CROX has a price-to-economic book value ([PEBV](#)) ratio of 0.9. This ratio means the market expects Crocs' NOPAT to permanently decline by 10% from 2024 levels. This expectation seems overly pessimistic for a company that has grown NOPAT by 49% compounded annually since 2019 and 35% compounded annually since 2014.

Even if Crocs' NOPAT margin falls to 20% (below 2024 NOPAT margin of 22% and five-year average margin of 21%) and the company's grows revenue by just 3% (below ten-year compound annual growth rate of 13%) compounded annually through 2034, the stock would be worth [\\$139/share today](#) – a 28% upside. In this scenario, Crocs' NOPAT would grow just 2% compounded annually through 2034. Should Crocs grow profits more in line with historical levels, 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 Crocs' 10-Qs and 10-Ks:

Income Statement: we made over \$350 million in adjustments, with a net effect of removing over \$50 million in [non-operating income](#). Professional members can see all adjustments made to Crocs' income statement on the GAAP Reconciliation tab on the Ratings page on our website.

Balance Sheet: we made just under \$1.6 billion in adjustments to calculate invested capital with a net decrease of over \$350 million. One of the most notable adjustments was for [deferred tax assets](#). Professional members can see all adjustments made to Crocs' balance sheet on the GAAP Reconciliation tab on the Ratings page on our website.

Valuation: we made just under \$2.0 billion in adjustments to shareholder value, with a net decrease of just under \$1.8 billion. The most notable adjustment was for [total debt](#). Professional members can see all adjustments to Crocs' valuation on the GAAP Reconciliation tab on the Ratings page on our website.

This article was originally published on [February 21, 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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