



### An Undervalued Gem Upgraded During 10-K Filing Season

This week's Filing Season Finds report highlights Nokia Corporation (NOK: \$5/share) for understating its profits by \$164 million (12% of GAAP earnings). It is just one of the discoveries from the many 10-Ks and 10-Qs our [Robo-Analyst](#)<sup>1</sup> analyzed in the fifth week of [Filing Season](#).

#### Understated Profits + Cheap Valuation = Very Attractive Rating

In Nokia's 2024 20-F, analyst Lee Moneta-Koehler leveraged our Robo-Analyst to find \$164 million in net [hidden](#) and reported [Earnings Distortion](#) that included:

##### Hidden

- -\$632 million in impairment charges – Page 133
- -\$160 million in restructuring charges included in cost of sales – Page 142
- -\$143 million in restructuring charges included in SG&A – Page 142
- -\$139 in restructuring charges included in research & development – Page 142
- Total: -\$1.1 billion

##### Reported

- -\$743 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
- -\$442 million after-tax loss from discontinued operations
- -\$73 million in other financial losses – Page 143
- -\$13 million in net fair value losses on hedged items – Page 143
- -\$6 million in other financial expenses – Page 143
- -\$1 million in negative interest on financial investments – Page 143
- \$10 million in net fair value gains on hedging instruments – Page 143
- \$17 million in foreign exchange gains – Page 143
- \$24 million in foreign exchange gains on hedging forecasted sale and purchases – Page 143
- \$49 million gain from venture funds – Page 143
- \$55 million in income tax distortion
- \$72 million gain on sale of businesses – Page 143
- \$98 million gain on sale of property, plant, and equipment – Page 143
- \$182 million interest income on defined benefit plans – Page 143
- \$199 million gain on sale of associated companies – Page 143
- Total: \$913 million

These unusual losses are found only with careful analysis of all statements and, most importantly, the footnotes and management's discussion and analysis, which legacy firms tend to ignore.

NOK's outperformance year-to-date looks more than justified considering it is even more profitable than GAAP earnings would show.

After removing these non-operating items (net -\$164 million, or 12% of GAAP earnings), we find that Nokia's 2024 Core Earnings of \$1.5 billion, or \$0.27/share, are much higher than GAAP earnings of \$1.3 billion, or \$0.24/share.

With Core Earnings higher than GAAP earnings, a 16% return on invested capital (ROIC), and a valuation that implies the company's profits will permanently decline, Nokia earns a Very Attractive [Stock Rating](#). NOK was upgraded from an Attractive rating after we parsed its 2024 20-F.

---

<sup>1</sup> Harvard Business School features the powerful impact of our research automation technology in [New Constructs: Disrupting Fundamental Analysis with Robo-Analysts](#).



Profits are an indication of a good business, but a good business is only worth buying at a good price. At its current price, NOK's price-to-economic book value (PEBV) ratio is 0.9. This ratio means the market expects Nokia's profits to permanently fall 10% from 2024 levels. Furthermore, in the default scenario of our [reverse discounted cash flow \(DCF\) model](#), NOK has a market-implied Growth Appreciation Period ([GAP](#)) of just 1 year.

For reference, Nokia has grown net operating profit after tax (NOPAT) by 7% compounded annually over the past decade.

### High Risk Stocks Due to Weak Internal Controls

Remember how much Super Micro Computer, Inc. (SMCI) stock dropped when its auditor announced that it would no longer represent Super Micro Computer last October? Long before the stock sank over 50%, we warned, in late August, of the company's Weak Internal Controls.

Over the past month, our Robo-Analyst found 32 companies with Unattractive-or-worse ratings that disclosed material weaknesses in internal controls in their financial filings. Weaknesses in internal controls increase the risk that the company's financials are fraudulent and/or misleading. Identifying this risk is necessary due diligence for every investment process as shown with the Super Micro Computer situation.

This list does not include only small unknown companies. Axon Enterprise (AXON), for instance, has a market cap nearing \$44 billion.

Figure 1 lists the 10 of the largest companies with material weakness in internal controls and an Unattractive-or-worse Stock Rating from 2025 Filing Season. Contact us for the complete list.

**Figure 1: Weak Internal Controls & Unattractive-or-Worse Ratings – Identified During Filing Season**

Company	Ticker	Market Cap (\$mm)
Axon Enterprise Inc	AXON	\$43,868
CoreWeave, Inc	CRWV	\$24,522
Smurfit Westrock, PLC	SW	\$23,499
GLOBALFOUNDRIES	GFS	\$21,962
Amer Sports Inc	AS	\$16,316
Klarna Group plc	KLAR	\$15,000
Astera Labs Inc	ALAB	\$11,964
The AES Corp	AES	\$9,169
Repligen Corporation	RGEN	\$8,150
Littelfuse Inc.	LFUS	\$5,359

Sources: New Constructs, LLC and company filings.

### The Power of the Robo-Analyst

From the many 10-K and 10-Q filings analyzed by our [Robo-Analyst](#) in the fifth week of Filing Season (March 9 through March 15), we collected 26,161 data points. This data led to 3,155 Core Earnings, balance sheet, and valuation [adjustments](#) with a combined dollar value of \$905 billion. The adjustments were applied as follows:

- 1,336 income statement adjustments with a total value of \$59.2 billion
- 1,204 balance sheet adjustments with a total value of \$378.2 billion
- 615 valuation adjustments with a total value of \$467.4 billion

**Figure 2: Filing Season Diligence for 2024 10-K Filing Season: Feb-Mar 2025**

	Data Points Collected	# of Adjustments	Total Value of Adjustments (\$Billions)
Week 1	34,090	4,470	\$4,629
Week 2	71,203	11,485	\$7,731
Week 3	102,097	15,399	\$7,520
Week 4	30,880	3,983	\$1,060
Week 5	26,161	3,155	\$905

Sources: New Constructs, LLC and company filings.

Every year from mid-February through early March, we parse and analyze over 2,000 10-Ks and 10-Qs to update our [models](#) for companies with 12/31 and 1/31 fiscal year ends. This combination of technology and human expertise enables investors to overcome the flaws in legacy fundamental research and make more informed investment decisions.

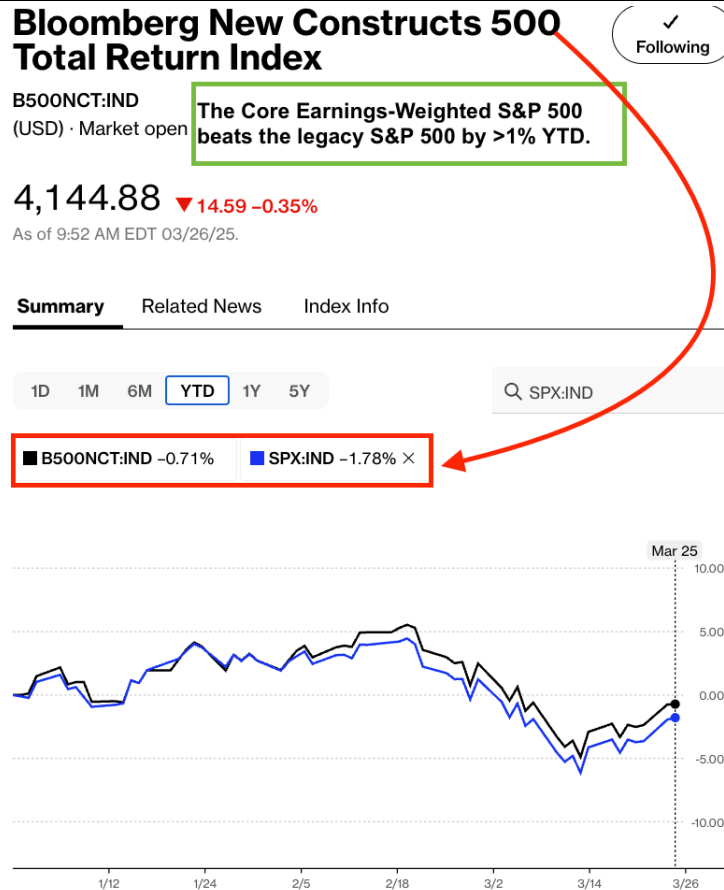
### Proprietary Footnotes Data Drives Alpha

While we're explaining the diligence required to calculate Core Earnings and generate proven-superior Stock Ratings, we want to show you how both deliver alpha. We've developed multiple indices for tracking the performance of portfolio strategies based on Core Earnings and our Stock Ratings. All are outperforming the S&P 500 this year. See Figures 3 and 4.

Figure 3 compares the performance of the [Bloomberg New Constructs 500 Index](#) (ticker: [B500NCT:IND](#)), managed by Bloomberg, to the S&P 500. This index takes the top 500 stocks by market cap and tilts toward the companies with high Earnings Capture, based on our proprietary [Core Earnings](#) data. From January 1 to March 25, 2025, the Bloomberg New Constructs 500 Total Return Index (ticker: [B500NCT:IND](#)) is down 0.71% while the S&P 500 is down 1.78%.



Figure 3: Bloomberg New Constructs 500 Index Strongly Outperforms the S&P 500 Year to Date



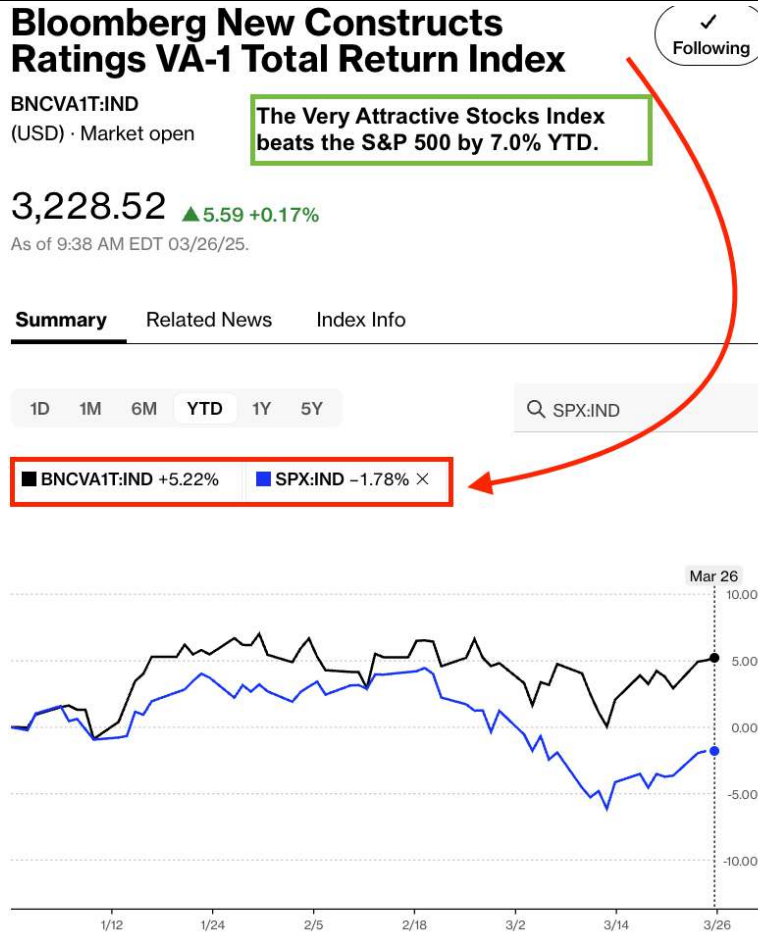
Sources: [Bloomberg](#)

Note: Past performance is no guarantee of future results.

Figure 4 compares the performance of the [Bloomberg New Constructs Ratings VA-1 Index](#) (ticker: [BNCVA1T:IND](#)), managed by Bloomberg, to the S&P 500. This index tracks the stocks in the Bloomberg 1000 Index that earn our Very Attractive Rating. From January 1 to March 25, 2025, the Bloomberg New Constructs Ratings VA-1 Index (ticker: [BNCVA1T:IND](#)) is up 5.2% while the S&P 500 is down 1.8%.



Figure 4: Very Attractive-Rated Stocks Strongly Outperform the S&P 500 Year to Date



Sources: [Bloomberg](#)

Note: Past performance is no guarantee of future results.

This article was originally published on [March 26, 2025](#).

Disclosure: David Trainer, Lee Moneta-Koehler, Kyle Guske II, and Hakan Salt receive no compensation to write about any specific stock, sector, 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.