



Free Stock Pick from our Exec Comp Aligned with ROIC Model Portfolio for March 2025

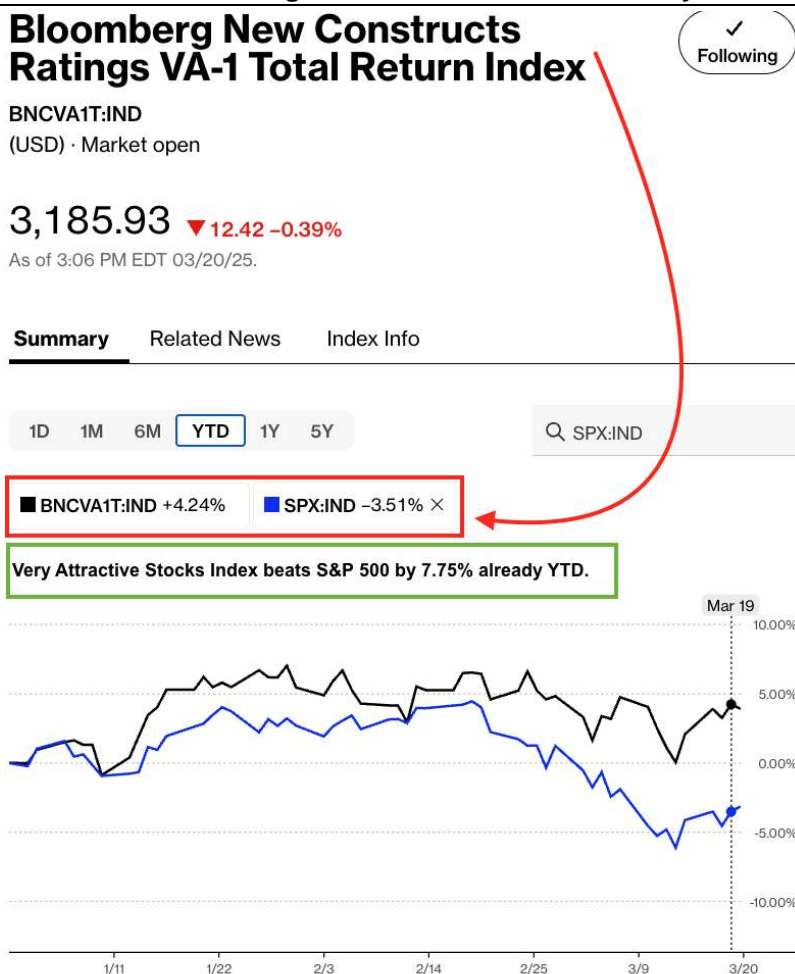
Where does the market go from here?

The Fed left interest rates unchanged and continued their “wait-and-see” approach for another month. Of note, they continued to project the expectation for two rate cuts this year. What many investors thought could be a catalyst for the next market move, turned into a whole lot of nothing.

We believe the market is getting more efficient. As FOMO and MOMO take a backseat, fundamentals reclaim the driver’s seat. And, there’s no better market for diligent investors than one where capital gets allocated to companies who actually deserve it.

How do you know which companies deserve capital? Fundamentals, and we provide the best fundamental research in the world. Our Robo-Analyst technology enables us to gather more data and produce superior financial metrics and stock ratings. Speaking of stock ratings, the Bloomberg index that holds only our Very Attractive-Rated Stocks (ticker: [BNCVA1T:IND](#)) is up strongly in a down market. From January 1st to March 19th, the index, officially named the “Bloomberg New Constructs Ratings VA-1 Index”, is up 4.2% while with S&P 500 is down 3.5%.

Figure 1: Bloomberg New Constructs Ratings VA-1 Index Beats S&P 500 By 7.75% YTD Thru March 19



Sources: New Constructs, LLC and [Bloomberg](#)



So, if you're looking for the highest quality fundamental investment ideas, I think it's safe to say that our Very Attractive-rated stocks are a good place to start. Note that we just did a [special training](#) on how our Stock Ratings can help you thrive in a volatile market.

Our Exec Comp Aligned with ROIC Model Portfolio starts with Attractive-or-better rated stocks and goes a step further. It only includes companies with executive compensation plans aligned with return on invested capital ([ROIC](#)) (or similar variants). As David Trainer, our CEO, said many times in this [special training](#), the Exec Comp Aligned with ROIC Model Portfolio provides you with stocks you can trust the most.

Companies with high quality corporate governance are worth more than those with low quality corporate governance. I think the companies that incentivize their managers to create shareholder by tying pay to ROIC have the best corporate governance in the world.

We are proud to offer the Exec Comp Aligned with ROIC Model Portfolio, and we are excited to give you a free stock pick from this Model Portfolio.

The goal behind sharing these free features with you is to deliver insight into the uniquely high value-add of our research. We want you to know how hard we work and how we do research, so you know how reliable research looks and how real AI and machine learning work.

We update this Model Portfolio monthly, and [March's](#) Exec Comp Aligned with ROIC Model Portfolio was updated and published for clients on March 14, 2025.

Free Stock Feature for March: PulteGroup Inc. (PHM: \$105/share)

PulteGroup has grown revenue and net operating profit after tax ([NOPAT](#)) by 12% and 17% compounded annually, respectively, since 2014. The company's NOPAT margin improved from 10% in 2014 to 15% in 2024. [Invested capital turns](#) rose from 0.8 to 1.1 over the same time. Rising NOPAT margins and invested capital turns drive the company's return on invested capital ([ROIC](#)) from 8% in 2014 to 17% in 2024.

Figure 2: PulteGroup's Revenue & NOPAT: 2014 - 2024

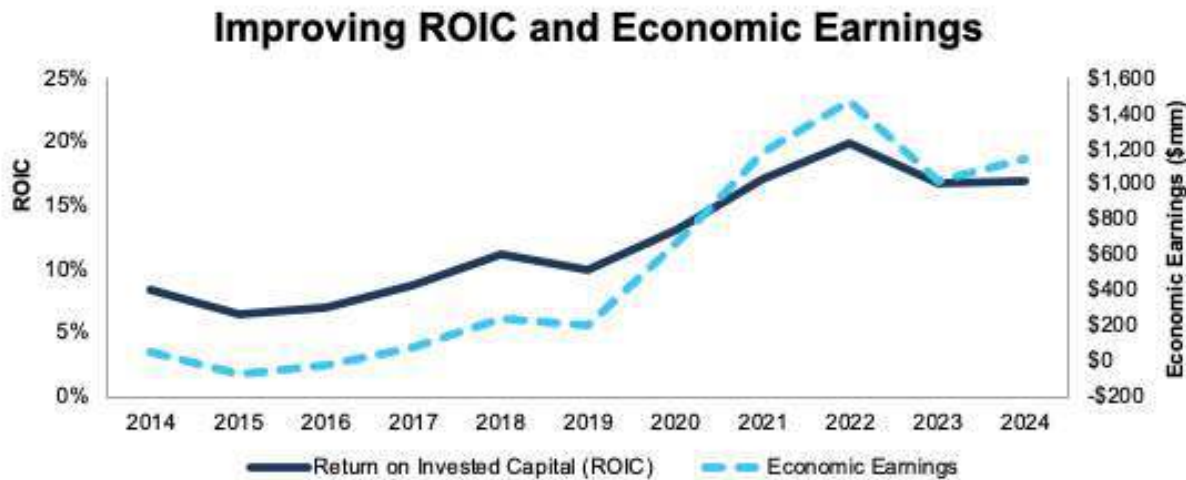


Sources: New Constructs, LLC and company filings

Executive Compensation Properly Aligns Incentives

PulteGroup's executive compensation plan aligns the interests of executives and shareholders by tying one-third of its long-term equity incentive compensation to ROIC, according to the company's [proxy](#) statement.

The company's inclusion of ROIC as a performance goal has helped create shareholder value by driving higher ROIC and economic earnings. When we calculate ROIC using our [superior fundamental data](#), we find that PulteGroup's ROIC has increased from 8% in 2014 to 17% in 2024. Economic earnings rose from \$54 million to \$1.1 billion over the same time.

**Figure 3: PulteGroup's ROIC & Economic Earnings: 2014 – 2024**

Sources: New Constructs, LLC and company filings

PHM Has Further Upside

At its current price of \$105/share, PHM has a price-to-economic book value ([PEBV](#)) ratio of 0.8. This ratio means the market expects PulteGroup's NOPAT to permanently fall 20% from current levels. This expectation seems overly pessimistic for a company that has grown NOPAT 22% and 17% compounded annually since 2019 and 2014, respectively.

Even if PulteGroup's

- NOPAT margin falls to 13% (below five-year average NOPAT margin of 15%) and
- revenue grows 3% (below to five-year and ten-year compound revenue growth of 12%) compounded annually through 2034 then,

the stock would be worth \$137/share today – a 30% upside. [Contact us for the math behind this reverse DCF scenario](#). In this scenario, PulteGroup's NOPAT would grow just 1% compounded annually from 2025 through 2034.

Should the company grow NOPAT more in line with historical growth rates, 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 PulteGroup's 10-K:

Income Statement: we made over \$500 million in adjustments with a net effect of removing over \$300 million in [non-operating income](#). Professional members can see all adjustments made to PulteGroup's income statement on the GAAP Reconciliation tab on the Ratings page on our website.

Balance Sheet: we made just under \$8 billion in adjustments to calculate invested capital with a net increase of under \$4 billion. One of the most notable adjustments was several million in [asset write downs](#). Professional members can see all adjustments made to PulteGroup's balance sheet on the GAAP Reconciliation tab on the Ratings page on our website.

Valuation: we made just under \$2 billion in adjustments with a net increase of just under \$700 million to shareholder value. The most notable adjustment to shareholder value was [excess cash](#). Professional members can see all adjustments to PulteGroup's valuation on the GAAP Reconciliation tab on the Ratings page on our website.

This article was originally published on [March 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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