



These Earnings Look Strong...But Something Isn't Right

This week, I wanted to provide a public service announcement during a volatile 2026. As we head into earnings season, investors are about to see a flood of numbers.

Companies will report results. Headlines will focus on who beat expectations and who missed. Analysts will adjust forecasts. Stocks will move quickly based on a few key metrics.

It's easy to get caught up in the scoreboard.

But this is exactly the moment when a simple reminder matters most.

Because in investing, it's *not* just how much a company earns.

It's *how* those earnings are generated.

The numbers may look good this quarter. Earnings may beat expectations. Revenues may grow. Margins, in many cases, may hold up better than investors feared. On the surface, this earnings season could look like a sign that businesses are strong, and the economy is holding together.

But numbers don't always tell the full story.

Two companies can report the same profit and appear equally strong in a headline. But the path they took to get there can be very different. One may be generating steady demand, raising prices, and producing real cash flow. The other may be pulling revenue forward, cutting necessary investment, or relying on accounting shenanigans that make results look better than they really are.

The numbers look the same.

The reality is not.

This is where earnings quality begins to matter.

When markets are strong and expectations are high, investors tend to focus on the headline number. Did the company beat estimates? Did revenue grow? Did margins hold?

Those are important questions.

But they are not the only questions.

Because companies don't operate in a vacuum. They respond to pressure. And when expectations are high, the pressure to meet them increases.

That's when the quality of earnings can begin to change.

Some companies may recognize revenue earlier than they should. Others may delay expenses or reduce spending in areas that support long-term growth. In fast-growing sectors, especially in areas like artificial intelligence, companies can enter into complex arrangements with customers that make demand look stronger than it really is.

In some cases, companies are effectively helping fund the purchases that show up as their own revenue.

On the surface, growth looks strong.

Underneath, the picture can be more complicated.

This doesn't mean companies are doing anything illegal. It doesn't mean the growth isn't real at all. *But it does mean* investors need to look more closely at what is driving that growth.

Because not all earnings are created the same way.

And over time, that difference matters.

We've seen this before.

During the dot-com era, many companies reported strong revenue growth. The story made sense. The internet was changing everything. But the quality of that growth varied widely. Some businesses had real demand and strong economics. Others relied on aggressive accounting or unsustainable business models. Remember the "sock puppet"?

When expectations changed, the difference became clear.

The same thing happened in other cycles. The details didn't matter as much when prices were rising and confidence was high. But *when* conditions shifted, those details became the story.

That's how markets work.

When things are going well, investors focus on outcomes.

When things change, they focus on how those outcomes were created.

That's why this moment is worth paying attention to.

Artificial intelligence may become one of the most important technologies of our time. That may turn out to be true. But the way companies are generating growth today still matters. The way revenue is recognized still matters. The strength of cash flow still matters.

Those things don't change.

Because markets may evolve.

Technology may change.

But basic economics does not.

Companies that generate real cash flow, report clean earnings, and build sustainable businesses tend to hold up over time.

Companies that rely on weaker foundations tend not to.

The challenge is that you often can't see the difference in the headline.

You have to look deeper.

And most investors don't.

P.S.

Most investors will watch the earnings headlines this season. Very few will question *how* those numbers were created. That's where the difference is. Because risk doesn't usually show up in the headline. It shows up beneath the surface. And next week, I'll show you why most investors miss it right before it matters most.

DISCLAIMER:

THIS COMMUNICATION IS FOR EDUCATIONAL AND INFORMATIONAL PURPOSES AND DOES NOT CONSTITUTE INVESTMENT ADVICE. Any Publishing Service offered by HSD Publishing is for educational and informational purposes only and should NOT be construed as a securities-related offer of solicitation or be relied upon as personalized investment

advice. HSD Publishing strongly recommends that you consult a licensed or registered professional before making any investment decision.

THE RESULTS PRESENTED ARE NOT TYPICAL OR VERIFIED. *HSD Publishing has not verified information regarding the historical trading performance presented. Subscribers' trading results have **NOT been tracked or verified**, past performance is not necessarily indicative of future results, **and the results presented in this communication are NOT TYPICAL**. Actual results will vary significantly due to factors such as experience, skill, risk mitigation practices, market dynamics, and the amount of capital deployed. Investing in securities is speculative and carries a high risk; you may lose some, all, or possibly more than your original investment.*

HS DENT IS NOT AN INVESTMENT ADVISOR NOR A REGISTERED BROKER. *Neither HSD Publishing nor its owners or employees is registered as a securities broker-dealer, broker, investment advisor (IA), or I.A. representative with the U.S. Securities and Exchange Commission, state securities or regulatory authority, or self-regulatory organization.*

WE MAY HOLD THE SECURITIES DISCUSSED. *HSD Publishing has not been paid directly or indirectly by the issuer of any security mentioned in the Services. However, HS Dent, its owners, and its employees may purchase, sell, or hold long or short positions in securities of the companies mentioned in this and future communications.*

John Del Vecchio is not an employee or partner of HSD Publishing. HSD Publishing serves solely as the marketing arm for John Del Vecchio – who provides research to HSD Publishing via Parabolix Research, Inc.-- and Unbounded Wealth.

© 2026 HSD PUBLISHING. ALL RIGHTS RESERVED. 15016 Mountain Creek Trail, Frisco, TX 77573.