A special FREE report from The Motley Fool

3 "X-Factor" Stocks Up as Much as 5,133% the Past Decade

The Motley Fool.

Dear fellow investor,

As you've already seen, the historic analysis we recently did on the top 20 highest-scoring "X-Factor" stocks led to a truly startling discovery.

On average, those 20 stocks were up:

- **43%** over the past *year* alone – outpacing the S&P 500's **12%** by **31 percentage points.**
- **272%** over the past *three* years – bludgeoning the market's **65%** by **207 percentage points.**
- **382%** over the past *five* years – hammering the market's respectable **74%** return by **308 percentage points.**
- **2,408%** over the past *decade* – obliterating the market's 261% over the same time period, for an outperformance of **2,147 percentage points** over the past 10 years!

Yes, that's right. The average of our 20 highest-scoring "X-Factor" stocks was up a whopping 25X since 2016.

Turning every US$5,000 invested into US$125,000...

Every US$20,000 into US$500,000...

And for $40,000? Well, that would have just minted a new millionaire.

Now, those life-altering historical returns alone should be sufficient to have you clamoring to know all about this "X-Factor" we've just uncovered.

(With even Motley Fool co-founder & CEO Tom Gardner himself recently stating **"I myself did not know** [**it**] **was that powerful."**)

But also consider this...

In a world that will look borderline unrecognizable inside of a half-decade from now by 2030, THIS singular "X-Factor" is likely THE No. 1 quality all companies will need to not only survive, but thrive – as AI begins to disrupt, well... *everything*.

So have a read through all three of these past BUY recommendation write-ups we've included below, then see if you can guess what the connecting "X-Factor" they all score so highly in is.

Hint: Throughout the following write-ups, we've embedded some Easter eggs to help you uncover the "X-Factor" score *in advance* of our "2030 Vision" presentation this coming Tuesday, so be sure to keep an eye out!

“X-Factor” Leader #1

Progressive (NYSE: PGR)

“X-Factor” Score: **99** | 10-Year Return: **+546%**

Following write-up originally from *Hidden Gems: Secret Code* BUY recommendation on Feb 19, 2026

What Progressive Does

Progressive (NYSE: PGR) is a company that most Americans are at least casually familiar with since it’s one of the largest auto insurers in the United States. The company has a No. 2 market share in auto insurance, behind only State Farm and significantly ahead of third-place GEICO.

While it isn’t a completely evergreen business, auto insurance is very close to being recession-proof. Of course, when times get tough, some people might have trouble paying their bills, including auto insurance. But because auto insurance is required as a condition of driving in all but one state (New Hampshire), it is generally treated as an essential expense and among the last things to go when spending reductions are needed.

As of Dec. 31, 2025, Progressive had a total of about 38.6 million policies in force, 10% more than a year prior, and about 1.3 million more than just a few months earlier at the time of our initial recommendation. Auto insurance accounts for about two-thirds of Progressive’s in-force policies, but the company also has significant concentrations in property insurance and specialty vehicle insurance.

The Opportunity

In our initial recommendation, Tom shared a few key components of the investment thesis, all of which still apply today. Just to recap:

- Progressive is a leader in insurance technology, specifically telematics, and pioneered its use 15 years ago. This has given the company a big edge in underwriting efficiency.
- The rapid evolution of AI technology could help Progressive capitalize on its tech leadership and take its telematics capabilities to the next level.
- Progressive’s investment portfolio provides a stable source of income that helps mitigate the impact of unpredictable events such as natural disasters.
- Progressive is a highly capital-efficient business with a high ROUNTA (return on unlevered net tangible assets). In fact, Progressive’s ROUNTA has improved from 26.3% to 28% since our initial recommendation.
- **We couldn’t (and still can’t) say enough good things about CEO Tricia Griffiths as a leader and the returns she has already delivered for shareholders.**

The latest results show that the business is doing extremely well. In the fourth quarter of 2025, net premiums earned grew at a 10% year-over-year rate (strong for the insurance industry), and Progressive's combined ratio was 88%, indicating a 12% underwriting margin.

Due to strong profitability and premium growth, Progressive's earnings per share increased by an impressive 25% year over year in the fourth quarter. This is among the best-in-breed for auto insurers. In fact, Progressive's combined ratio has been significantly below its peer group average in every year since 1997.

More Insights

First, it's important to note that Progressive has not been a stellar performer over the past few months. Insurance stocks as a group have underperformed, and there hasn't been any company-specific bad news, but Progressive has declined by about 18% from its price at the time of our initial recommendation ($246.70).

To be sure, there are some good reasons for the negative price movement. For example, falling interest rates will reduce the income stream from Progressive's investment portfolio since it is mostly fixed-income securities.

However, we think the lower price makes the stock even more attractive and creates an opportunity to boost our investment at a discount. Despite its excellent margins and double-digit earnings growth, Progressive trades for about 12.5 times forward earnings estimates, which we view as a bargain.

Also, just because Progressive is a rather mature company and has one of the highest market shares doesn't mean there isn't significant growth potential in the years ahead. For one thing, Progressive has been steadily taking share from rivals for some time.

Second, thanks to rate increases, higher vehicle ownership rates, and higher replacement costs for modern vehicles, the U.S. auto insurance industry is expected to grow by 55% over the next five years, according to Mordor Intelligence.

The Recap

We liked Progressive a few months ago, and we like it even more today after its stock has declined roughly 20% despite generally strong results and growth across the business.

Progressive's longtime focus on AI-driven insurance underwriting should continue to be a competitive advantage for many years and could even lead to further expansion of the combined ratio and its capital efficiency.

With an extremely attractive valuation and top-notch leadership, Progressive is a company we're excited to buy more shares of in 2026.

"X-Factor" Leader #2

Microsoft (NASDAQ: MSFT)

"X-Factor" Score: **95** | 10-Year Return: **+686%**

Following write-up originally from the *Motley Fool US ONE Portfolio* BUY recommendation on Jan 25, 2024

Team Take: Why Team Large Cap Recommended Microsoft

Even before we started our voting rounds to narrow down candidates, it was evident that Team Large Cap admired Microsoft's (NASDAQ: MSFT) potential to keep generating market-beating returns over the next several years. At least three of six team members expressed interest in being the initial "champion" of the business! Ultimately, Microsoft came out on top as we ranked our final five stocks for conviction.

Analyst Tom King, who provided Team Large Cap with detailed business notes and valuation work on Microsoft, summed up our consensus nicely during a discussion and debate session: "It has the best of both worlds in the sense that it's very established in many markets, extremely profitable, and really well positioned for whatever comes next, whether it's AI, the cloud, or the next big digital thing."

Microsoft's past success has been characterized by operating with dominance in several large technology markets while enjoying higher profitability than most peers. But a relentless push to stay ahead of the competition in artificial intelligence (AI), continual expansion into cloud-adjacent businesses, and a purposeful capital allocation strategy are all traits that point to further value creation and rising cash flow growth ahead. We delve into this further below.

What Microsoft Does

Microsoft has become such a behemoth in the tech industry that it's easy to lose sight of just how it makes money. Today, the organization operates in three major segments:

- Productivity and business processes (Microsoft Office, LinkedIn, and Microsoft Dynamics, a data analytics and business tools platform),
- Intelligent cloud (cloud computing and AI services), and
- Personal computing (Windows licenses and devices, plus Microsoft's gaming division).

Microsoft's two most important revenue drivers are its Office 365 subscription service and its Azure cloud computing service. Together, these businesses account for roughly 23% and 38% of total revenue, respectively.

But the company enjoys fairly stable revenue streams from other productivity and cloud services, as well as its lower-growth personal computing division.

Why Microsoft Is a Buy

Winning Tomorrow by Investing Like There's No Tomorrow

Even at scale, Microsoft is fast growing and very profitable: It's generated 14% annualized growth in revenue over the past five years, which is impressive for a company whose revenue was US$110.4 billion in the base year of fiscal 2018.

Microsoft's operating income margin has improved over the last five years, from 34% in fiscal 2019 to a stellar 42% in fiscal 2023, bolstering its reputation as one of the most profitable large tech companies on the planet.

But how will it sustain revenue and earnings momentum? Let's begin with artificial intelligence. By now, the story of Microsoft's early investment in generative AI, and its partnership with large language model (LLM) innovator OpenAI, is well known, so we won't dwell on its head start in the race to provide generative AI tools to businesses and individuals.

Rather, Team Large Cap would like *ONE* members to understand the AI opportunity through Microsoft's build-out of capacity in its Azure cloud business, in order to provide future access to LLMs and other AI applications directly to enterprise customers. This computational capacity is also needed because Microsoft has expanded its generative AI agent, Microsoft Copilot, to customers of Office in a "pro" subscription version. Currently selling for US$20 monthly, we expect that Copilot Pro will see a decent uptake among businesses, which will in turn increase the load on its server capacity.

By most metrics, Microsoft ranks in the top two or three companies in the world when it comes to providing hyperscale data storage and computation. Its operational data center footprint is spread across 200 global sites, and by the latest figures available, the company had 2,176 megawatts of data center capacity in operation (energy usage is a common measure of cloud capacity), second to only Alphabet. Microsoft has another 3,344 megawatts of capacity build-out planned through the end of this decade.

As for the all-important need to obtain graphics processing units (GPUs), Microsoft's tied with Meta Platforms for the most Nvidia supercomputing GPU complexes purchased in 2023, at a staggering 150,000 Nvidia H100 units apiece. Incidentally, the next-biggest purchasers couldn't secure quite as much supply from Nvidia: Tencent, Oracle, Amazon, and Alphabet each received an allocation of just 50,000 H100 GPU units from the GPU giant last year.

For the titans that want to compete in this space, it's going to take unwavering investment in both data centers and the GPUs that run AI functions, as well as key relationships to procure GPUs, to provide ample compute capacity for corporations and individuals and beat out rivals.

Microsoft may have enjoyed a first-mover advantage through its OpenAI relationship, but it's playing like it's behind, investing billions aggressively and leaning on its close relationship with Nvidia to get silicon in-house. We believe Microsoft has an impressive capacity road map to maximize sales potential in cloud and AI applications in the medium term.

Balanced Revenue and Multiple Points of Attack

We've already described the cash cows Microsoft enjoys between Office subscriptions and Azure cloud revenue. Azure continues to take share from rivals: In the third quarter of 2023, the cloud business expanded at a rate of 29% year over year, outpacing Alphabet's cloud growth of 22% and the 12% advance in Amazon Web Services (AWS).

As we look to the future, Team Large Cap believes that the balance provided by the rest of Microsoft's business lines (including Windows licenses, laptop and desktop sales, LinkedIn revenue, and its global gaming segment) provides a stable core on which the company can keep building.

One way Microsoft will build on that core is through a laboratory of sorts for new asset-light revenue streams. As a cloud hosting provider, Microsoft gets a firsthand view of the types of software-as-a-service businesses that are ramping up quickly in global marketplaces. And it often prototypes and then invests in its own version of these products within both the productivity and intelligent cloud divisions.

We've watched Microsoft expand several of these opportunities over the last decade. For example, the company is an increasingly meaningful player in the identity and cybersecurity field, and it also competes with customer relationship management providers, digital transformation specialists, robotic process automation companies, and productivity platforms through the broad reach of tools available through Office, Microsoft Teams, and Microsoft Dynamics.
In fact, nearly every analyst in Team Large Cap has assessed competitive threats from Microsoft in various publicly traded cloud platforms we've evaluated over the years.

While Microsoft may exhibit some predator-like instincts in its forays into cloud markets, we don't mean to imply that the company isn't inherently innovative. In fact, the opposite is true. Microsoft's management team has increasingly placed an emphasis on creative problem solving to push growth.

Below are three novel ideas the company is pursuing, each in various stages of research and development. We don't have the space to discuss them in depth here, but do peruse the linked articles if interested:

- Recent success in generative AI computational efficiency through the Phi-2 "small language model"...
- The potential to use small nuclear reactors to power data centers as the company seeks to go carbon-negative, and...
- Taking the most ambitious and theoretical approach of all major tech companies in the race to build a quantum super-computer: nailing down the elusive Majorana particle.

Superior and Purposeful Capital Allocation

It should be apparent already from our commentary above, **but Microsoft's capital allocation since CEO Satya Nadella became CEO nearly 10 years ago has been masterful.** The company's use of its free cash flow (in the tens of billions of dollars annually), and its deployment of its enormous balance sheet, are marked by purpose and patience.

In most years, the tech titan invests heavily in cloud capacity, while using excess cash flow to issue dividends and buy back shares. Microsoft generally avoids "growth through acquisition," but when a strategic opportunity presents itself, it's not afraid to invest heavily: The final price tag on the company's recently approved acquisition of Activision Blizzard, which will bolster the reach of its gaming unit, came in at US$62 billion (net of cash acquired).

As for its shareholder-friendly actions, over the trailing 12 months, the company has generated US$77.4 billion in free cash flow.

Valuation

While Microsoft's enterprise value sits at around US$2.9 trillion, it generates about US $77.4 billion in free cash flow on an annualized basis. That equates to a pretty efficient free cash flow yield of 2.5%. In other words, the company generates a yield of over 2.5% in free cash flow when expressed as a function of its total value. As a simple gut check, this indicates to us that its gargantuan market cap isn't highly inflated.

Similarly, while the shares have gained some premium over the last year due to Microsoft's aggressive pursuit of the generative AI opportunity, they still trade at a reasonable – if slightly pricey – multiple of 36 times the next 12 months' estimated earnings per share.

Consensus analyst estimates project that the organization will more than double its revenue, earnings per share, and free cash flow over the next five years. So even if multiples contract a bit, the probabilities are still very decent that Microsoft can make shareholders money and beat the market.

What to Watch

There's No Proof in the AI Pudding

Like many other investors around the globe, research analysts at the Fool and on Team Large Cap have built-in assumptions on the role of generative AI in improving general business productivity and spurring innovation. One of those assumptions is that corporations will realize a tangible return on their gen AI investments. If LLMs and other foundational models being developed in tech and scientific disciplines don't deliver anticipated impacts on businesses' bottom lines, we'll see a curbing of investment that could affect providers of gen AI tools and cloud capacity like Microsoft.

Satya Takes His Marbles and Goes Home

Much of the credit for Microsoft's ascent to the most valuable company in the world can be attributed to its super-capable, yet focused and even-keeled CEO. Satya Nadella appears to be passionately engaged with Microsoft's ambition to remain a leader in the still-nascent field of generative AI, and he clearly wants the company's cloud business to one day leapfrog Amazon Web Services in market share. We think he will remain at Microsoft's helm for a very long time.

However, most of Nadella's compensation over the years has come in the form of salary and incentives, not stock. It may surprise some investors to learn that for a company worth US$3 trillion, Nadella's stake approximates just US$300 million. Whether that's an oversight of the board, or Nadella simply doesn't want a higher equity stake, there's no windfall for him or overriding financial incentive to stay on board. If the CEO decides to take on a new challenge in his still relatively youthful career (he's 56), this would likely affect our expansion case for Microsoft.

Bottom Line

Microsoft is a "best of both worlds" business because it's dominant in many markets and extremely profitable. We believe this tech titan is optimally positioned for whatever comes next.

"X-Factor" Leader #3

Comfort Systems (NYSE: FIX)

"X-Factor" Score: **95** | 10-Year Return: **+5,133%**

Following write-up originally from *Hidden Gems: Secret Code* BUY recommendation on Feb 19, 2026

What Comfort Systems Does

There's an invisible workforce that keeps offices warm in winter, hospital and airport lights on 24/7, factories fire-protected, and data centers cool to prevent them from overheating like your smartphone. **Comfort Systems** (NYSE: FIX) is one such powerhouse that equips all kinds of buildings with essential mechanical, electrical, and plumbing (MEP) systems.

Nearly all of Comfort Systems' revenue comes from contracts that cover the costs of the job, topped with a profit margin. So there are no surprises here since Comfort Systems knows precisely how much money it will make on a contract and generates steady cash flows as it completes project milestones.

That makes for an incredibly powerful business with a quick turnaround and plenty of cash flows. As of Sept. 30, 2025, Comfort Systems had nearly 9,000 projects in process, with an average contract price of about $2.4 million. Mechanical is the largest segment, comprising heating, ventilation, and air conditioning (HVAC), plumbing, piping, fire protection, and off-site modular construction.

It accounted for 75% of revenue in the nine months ended Sept. 30, 2025, while the electrical segment accounted for the remaining 25%.
As one of the top players in the MEP industry, with a presence in 139 cities across the U.S., Comfort Systems has the scale and size to take advantage of opportunities as they arise. The biggest opportunity right now is data centers.

The Opportunity

Tom Gardner believes quality leadership can steer even the most boring companies to new heights. Comfort Systems has grown exponentially under Brian Lane, who became the CEO in 2011. Back then, the company had a backlog of US$630 million. Today, its backlog sits at a record US$9.4 billion (as of Sept. 30, 2025), up more than sixfold in the past five years. The stock has gone up from around US$15 to more than US$1,200 in just 10 years.

With the technology sector (data centers, chip manufacturing) presently driving the majority of Comfort Systems' orders – and accounting for nearly 46% of its revenue in Q3 versus only 34% in the year-ago quarter – Lane believes technology makes for a compelling investment case for the company. We can't help but agree.

McKinsey estimates that data centers will require nearly US$7 trillion in capital by 2030 to handle the massive AI load, with more than 40% of that going to the U.S. We believe this data center buildout is a powerful multi-year growth engine for Comfort Systems and should drive double-digit annualized returns over the next five years.

Comfort Systems is also among the highest-rated companies in our Hidden Gems primary database with a superscore of 89, placing it in the top 25 among 4,200 companies. Its high ROUNTA (return on unleveraged net tangible assets) of 87.7% is driven by the contractual, asset-light nature of its business and regular acquisitions that have added sizable intangible assets to its books.

More Insights

There's a lot to like about Comfort Systems.

Since September 2025, Comfort Systems has reported a record backlog (up 65% year over year in Q3), acquired two electrical contracting services (in Michigan and Florida), and increased its dividend per share by 20%. It is also aggressively expanding modular capacity to meet rising demand. Modular construction accounted for 17% of Comfort Systems' revenue in the first nine months of 2025.

I (Neha Chamaria here) would still be cautious of stocks with a narrative so heavily leveraged to one industry – data centers – but I have also noticed something fascinating going on lately. Comfort Systems' single-largest order in the past couple of quarters or so came from pharma and not technology.

Ideally, that should mean that even if AI data center spending slows, Comfort Systems should find plenty of projects in other major markets such as pharma and manufacturing. Pharma also has lead times stretching several years. The company, however, won't then be growing at such a torrid pace. In fact, to buy Comfort Systems' stock now after its 160%-plus rally (without dividends) in just the past year, investors should already be comfortable facing any potential volatility ahead.

The Recap

Comfort Systems is not a buy because of hype. It is a cash machine with a strong execution record and riding secular demand in AI data centers, healthcare, and industrials.

The best part is that Comfort Systems has the resources and scale to expand into verticals wherever opportunities arise. Its recent acquisition of two electrical contractors, for example, exemplifies this as it immediately bolsters its power and cooling capabilities for data centers. The cumulative impact of such carefully planned tuck-in acquisitions can be significant in the long term and has been one of the major drivers of Comfort Systems' growth in recent years. Between 2007 and 2024, Comfort Systems used up 75% of the cash it generated on acquisitions.

That is why even if the stock doesn't look cheap on headline multiples, we are buying more Comfort Systems because the growth opportunities are too compelling to ignore – for the leadership and for us.

So here's the big question…

After reading through the full write-ups on all three of those stocks that rank toward the top of our "X-Factor" criteria… *can YOU guess what ties them together?*

If not, go back and have a quick skim through the report – there are Easter eggs laced throughout it to help you uncover precisely what that "X-Factor" is.

Remember, we recently uncovered that over the past decade alone the 20 stocks that rate the highest in this specific "X-Factor" score have returned an average of 2,408% – for a stunning 2,147 percentage point outperformance over the market's **261**% over the same timeframe.

Any time a very niche group of stocks was able to return an average of **25X** over the span of, well, any time period – much less a mere 10 years – it's probably time to stand up and take notice.

If that's not a large enough sample size to prove the seismic level of this "X-Factor" discovery, we simply don't know what is.

And even if you can't fit all the pieces together on what connects these three companies today, don't worry…

Motley Fool co-founder and CEO Tom Gardner, Chief Investment Officer Andy Cross, and SVP of Rule Breakers Strategy Brian Richards will be peeling back the curtain on this "X-Factor" in our upcoming special presentation of "2030 Vision."

Here's everything you need to know:

WHAT	"2030 Vision: The 'X-Factor' Poised to Decide the Next AI Millionaires"
WHO	Motley Fool CEO Tom Gardner; Chief Investment Officer Andy Cross; SVP of Rule Breakers Strategy Brian Richards
WHEN	Tuesday, March 10, 9:30 AM ET
WHY	To reveal a recent 9X "X-Factor" outperformance discovery by our analyst team that may be the Fool's clearest and most powerful way yet to take advantage of the AI revolution over the coming half-decade.
WHERE	We'll email a link straight to your inbox on the morning of the event.

See you then,

The Motley Fool team

"X-Factor" returns as of 2/15/2026