

Know Thy Company



Mini Investment Class by the OKI Tri-State Chapter

*Courtesy Cincinnati Model Investment Club
Based on Original Presentation by Gretchen and Jim Hurt
Revised 6/1/10 by Sandy and Bob Lowery*

NON-PROFIT □ VOLUNTEER BASED □ MEMBER DRIVEN



Disclaimer

- **The information in this presentation is for educational purposes only and is not intended to be a recommendation to purchase or sell any of the stocks, mutual funds, or other securities that may be referenced. The securities of companies referenced or featured in the seminar materials are for illustrative purposes only and are not to be considered endorsed or recommended for purchase or sale by BetterInvesting™ National Association of Investors Corporation (“BI”) or the National Investors Association, or the OKI Chapter Board. The views expressed are those of the instructors and do not necessarily represent those of BetterInvesting™, or OKI. Investors should conduct their own review and analysis of any company of interest before making an investment decision.**

Better Investing Principles

- **Invest regularly, regardless of the market outlook.**
- **Reinvest all earnings.**
- **Invest in growth companies.**
- **Diversify to reduce risk.**

Invest in Growth Companies

- **When you purchase a company whose growth is driven by management, you may hold it for as long as that management remains in control.”**
 - **Starting and Running a Profitable Investment Club**

Sources of Information

- **Data and Numbers for the SSG.**
- **Recent news about the company.**
- **Information from management.**

Data, Not Information

- **Price movements**
 - **This is technical investing and is not the Better Investing way.**
- **Analysts' recommendations**
 - **Very short term, at most one year.**
 - **Can be biased.**
 - **Exception can be made for independent analysts (e.g. Value Line, S&P, Morningstar).**

Numbers for the SSG

- **Standard & Poors Stock Data Feed**
- **Value Line**
- **Annual Report Financial Tables**
 - **Profit and Loss Statement**
 - **Balance Sheet**
 - **Cash Flow**

Recent News

- **Newspapers**
 - **Wall Street Journal**
- **Magazines**
 - **Business Week**
- **On Line**
 - <http://finance.yahoo.com/>
- **There are many other sources of news.**

Information From Management

- **Company Press Releases**
- **Conference Calls**
- **President's Letter – Annual Report**
- **Management Discussion and Analysis – Annual Report**

President's Letter

- **“Most annual reports contain a letter to shareholders from the President or other officer of the company. It is expected that such letter, as well as all other releases and statements by the company, will be factual and that judgment and restraint will be used in not publicizing information which may be construed as over-optimistic, slanted or promotional.”**

Management Discussion and Analysis

- **We anticipate that high fuel costs and fuel surcharges will continue to exert pressure on our gross margin. Additionally, we anticipate that the impact of higher fuel costs on our customers will continue to place pressure on our segment's net sales.”**

Management Discussion and Analysis – Topic 2

“Operating income as a percentage of segment net sales declined due to a decrease in gross margin....

The decrease in gross margin for the quarter occurred primarily due to rising fuel and transportation costs and the unfavorable impact of an adjustment to our product warranty liabilities.”

Management Discussion and Analysis – Topic 3

- **“The sales increase ... for the segment resulted from our continued expansion activities within the segment and a 3.1% comparative store sales increase.”**

Management Discussion and Analysis – Topic 4

- **“Current liabilities exceeded current assets at October 31, by \$5.4 billion, an increase of \$1.0 billion from January 31.”**

Management Discussion and Analysis – Topic 5

- **“Our current strategy is to maintain a debt to total capitalization ratio averaging 40%. At Oct 31, and Jan 31, the ratio of our debt to our total capitalization was 43%, and 39%, respectively.”**

Conclusion

- **Knowing how well management is performing is crucial to your investing.**
- **You do not know how well management is running the company unless you read the Management Discussion and Analysis of the latest annual and quarterly reports.**

Don't Confuse Terms!

- **Numbers are not Data.**
 - **Data is more than numbers.**
- **Data are not Information.**
 - **Information is more than data.**
- **Information is not Knowledge.**
 - **Knowledge is more than information.**
- **Knowledge is not Wisdom.**
 - **Wisdom is more than knowledge.**

For more ways to learn:

**Contact the OKI Chapter Board for a One Hour “Classes to Clubs”
(We Bring OKI Classes Directly to Your Club) Or
Attend One of our OKI Special Events or Edufests**



Cincinnati:

Mary Thomas
Mcthomasp@fuse.net

Dayton:

Gene Senter
EMIDDLE42@aol.com

Columbus:

Dianne Jordan
dijord00@aol.com

And . . . Don't Forget

The OKI Online Classes



**Learn From The Comfort
Of Your Own Home - For Details:**

**Refer To Your Printed
OKI Newsletter**

**Or Visit The OKI Website:
www.betterinvesting.org/okitri**