



Stock Investing Made Easy Series

'Finding Hidden Gems'



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Screening Stocks to Study Using the BetterInvesting Online Tools



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August 31, 2022



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Objectives

- Review Screener in CoreSSG & SSGPlus
 - 5 to 13 search criteria
 - 2 to 5 predefined screens
 - Results & preview panels
 - Filtered list
- Review Ticker Heat Map in SSGPlus

Screening QuickStart Guide in Handouts



How to find the screener

The screenshot shows the 'Online Tools' section of a website. It features a search bar with the text 'Launch SSG - Enter Ticker Here' and a 'GO' button. Below the search bar is a blue button labeled 'My Studies' with a folder icon. At the bottom left is a green banner that reads 'Don't have access? Free, limited trial version'. On the right side, there is a vertical stack of four blue buttons: a magnifying glass icon, 'SCG', 'CR', and a question mark. Two callout boxes with orange borders and arrows point to the magnifying glass icon and the question mark button.

Launch Screener

Get Quickstart Guides



Screening Stocks - CoreSSG

The screenshot shows the CoreSSG stock screening interface. It includes a search bar, a criteria selection panel, a pre-defined screens section, a filtered list, and a results table. Callouts highlight key features: 'Screeener Indicator' points to the search criteria; 'Pre-Defined Screens' points to 'Quality' and 'Value' buttons; 'CoreSSG - 5 Criteria' points to the search criteria list; 'Results' points to the table header; 'Search & Reset' points to the 'Search' and 'Reset Criteria' buttons; 'Open, Preview New Study' points to the document icons in the table; 'Filtered List' points to the 'Show Filtered Companies' button; and 'STOCK MADE EASY INVESTING' is a circular logo in the bottom right.

Screeener Indicator

Pre-Defined Screens

CoreSSG - 5 Criteria

Results

Search & Reset

Open, Preview New Study

Filtered List

STOCK MADE EASY INVESTING

Search for a Company

Search Criteria

9 Yr Sales Growth (%):

9 Yr Earnings Growth (%):

Size:

Sector:

Traded Exchange:

Any

Any

Small

Medium

Large

Any

US Exchanges Only

Search

Reset Criteria

Pre-Defined Screens

Quality

Value

Looking for more in-depth screening? Check out

MyStockProspector.com

MyStockProspector

Filtered List

Filtered List

Show Filtered Companies

Clear Filtered List

Results

Show 10 entries

Actions	Company	Ticker	Sector	Sales	Earnings
	Adobe Inc	ADBE	Technology		
	Align Technology Inc	ALGN	Healthcare	Medical Devices	M 21.9 26.3
	Allied Properties Real Estate Investment Trust	AP.UN.TO	Real Estate	REIT - Office	S 11.9 16



Screening Stocks - CoreSSG

EPS R² 5 Yr >0.9
Historical 10 Yr EPS Growth % ≥10
Historical 10 Yr Sales Growth % ≥10
Debt / Capital % <40
Pre-Tax Profit Trend Up or Even
Return on Equity Trend Up or Even

EPS R² 5 Yr >0.9
Historical 10 Yr EPS Growth % ≥10
Historical 10 Yr Sales Growth % ≥10
PE / Historical EPS Growth >0 & <1

logout

Pre-Defined Screens

Quality ?

Value ?

Large

Looking for more in-depth screening? Check out
 MyStockProspector.com

Filtered List

Show Filtered Companies ?


Clear Filtered List

Search all columns:

Industry	Size	Sales Growth (%)	Earnings Growth (%)
Software - Infrastructure	L	14.6	30
Medical Devices	M	21.9	26.3
REIT - Office	S	11.9	16



Screening Stocks - SSGPlus



BETTER INVESTING
SSG PLUS

Logout [F](#)

Search for a Company

Search Criteria

9 Yr Sales Growth (%):

9 Yr Earnings Growth (%):

5 Yr EPS R-squared:

Size:

Sector:

Dividend Yield (%):

Pre-Tax Profit Trend:

Return on Equity Trend:

Morningstar Growth Grade:

Morningstar Profit. Grade:


Morningstar Financial Health:

PE / Historical EPS Growth:

Traded Exchange:


Predefined Screens

Looking for more in-depth screening? Check out MyStockProspector.com



Filtered List

Ticker Heat Map



A resource of stock ideas based on the top 100 studies created by members in the last 90 days.

Results

Show entries

Search all columns:

3 More Pre-Defined Screens

Ticker Heat Map

8 More Criteria



Screening Stocks - SSGPlus

BETTER INVESTING SSG PLUS

Search for a Company

Search Criteria

9 Yr Sales Growth (%) Any

Predefined Screens

- Quality
- Value
- Quality + Dividend Yield
- Small Company
- Roster of Quality

Looking for more in-depth screening? Check out MyStockProspector.com

MyStockProspector

90 days.

Filtered List

- Show Filtered Companies
- Clear Filtered List

PE / Historical EPS Growth: Any

Traded Exchange: US Exchanges Only

Search Reset Criteria

Results

Show 100 entries

Search all columns:

EPS R² 5 Yr >0.9
Historical 10 Yr EPS Growth % ≥10
Historical 10 Yr Sales Growth % ≥10
Pre-Tax Profit Trend Up or Even
Return on Equity Trend Up or Even
Debt / Capital % <40
Dividend Payout % ≤75
Current Dividend Yield % >1.5 & <10

EPS R² 5 Yr >0.85
Pre-Tax Profit Trend Up or Even
Return on Equity Trend Up or Even
Debt / Capital % <40
Sales (\$M) >100 and <1000
Historical 5 Yr Sales Growth % >12
Last 4Q Sales Growth % > 12
Historical 5 Yr EPS Growth % >12
Last 4Q EPS Growth % >12

Number of Years ≥ 5
Recent Sales (\$M) > 50
Years with Positive EPS >3
TakeStock Quality Index >3.5



Screening Results

Results

Show entries Search all columns:

Actions	Company	Ticker	Sector	Industry	Size	Sales Growth (%)	Earnings Growth (%)	EPS
	LGI Homes Inc	LGIH	Consumer Cyclical	Residential Construction	M	46.3	45.6	
	Medifast Inc	MED	Consumer Cyclical	Personal Services	M	17.3	30.6	
	M/I Homes Inc	MHO	Consumer Cyclical	Residential Construction	M	17.8	25.7	
	M.D.C. Holdings Inc	MDC	Consumer Cyclical	Residential Construction	M	15.7	19.0	
	MarineMax Inc	HZO	Consumer Cyclical	Specialty Retail	M	15.5	15.4	
	Meritage Homes Corp	MTH	Consumer Cyclical	Residential Construction	M	15	20	
	UFP Industries Inc	UFPI	Basic Materials	Lumber & Wood Production	M	14.3	33	
	MYR Group Inc	MYRG	Industrials	Engineering & Construction	M	12.8	11.6	
	Western Alliance Bancorp	WAL	Financial Services	Banks - Regional	M	21	25.7	
	Maximilian Drive Custom Homes	MDWH	Consumer Cyclical	Residential Construction	M	20.0	20.0	

Showing 1 to 15 of 15 entries (filtered from)

First Previous 1 Next Last

Company	Ticker	Sector	Industry	Size	Sales Growth	Earnings Growth	EPS	Growth Grade	Profit. Grade	Financial Health	
		Consumer Cyclical	Specialty Retail	M	15.5	45.4	0.91	5	B	B	C
		Consumer Cyclical	Residential Construction	M	15	20	0.97	3.7	B	B	C
		Basic Materials	Lumber & Wood Production	M	14.3	33	0.9	7.5	B	B	B
		Industrials	Engineering & Construction	M	12.8	11.6	0.99	18.2	B	B	B
		Financial Services	Banks - Regional	M	21	25.7	0.9	8.3	B	C	D

Showing 1 to 15 of 15 entries (filtered from)

First Previous 1 Next Last

Filtering Options

Scroll Bar

Scrolling Options

Scroll Bar



Screening – Preview a Stock

ADBE - Adobe Inc - Data Preview

Move forward and back through the list

The screenshot displays a stock screening interface. On the left, a list of companies is shown with 'Adobe Inc' selected. The main area features a 'Data Preview' for ADBE, which includes a line chart showing Sales (green), Earnings (blue), and Current Price (red) from 2011 to 2021. The chart shows a general upward trend for all three metrics. Below the chart is a table with columns for Size, Sales Growth (%), and Earnings Growth (%). The table lists various data points for Adobe Inc, such as a Size of 14.6, Sales Growth of 30%, and Earnings Growth of 51.5%.

Size	Sales Growth (%)	Earnings Growth (%)
L	14.6	30
S	250.1	51.5
S	21	73.2
L	10.7	115.6
M	8.7	68
L	21.2	27.6
M	10.3	24
S	24.1	27.8
S	17.1	20.8
S	25.2	21.5



Screening – Preview a Stock

Results

Show 100 entries

Actions	Company
	Adobe Inc
	AllianceBernstein Holding L
	Ameris Bancorp
	Berry Global Group Inc
	Comfort Systems USA Inc
	D.R. Horton Inc
	Domino's Pizza Inc
	Educational Development C
	Enghouse Systems Ltd
	First Foundation Inc

Showing 1 to 31 of 31 entries

ADBE - Adobe Inc - Data Preview

←
⏪
⏩
→
?
★

Description: Adobe provides content creation, document management, and digital marketing and advertising software and services to creative professionals and marketers for creating, managing, delivering, measuring, optimizing and engaging with compelling content multiple operating systems, devices and media. The company operates with three segments: digital media content creation, digital experience for marketing solutions, and publishing for legacy products (less than 5% of revenue).

Sector/Industry: Technology/Software - Infrastructure

Morningstar Financial Health Grade: A

Search all columns:

Size	Sales Growth (%)	Earnings Growth (%)
L	14.6	30
S	250.1	51.5
S	21	73.2
L	10.7	115.6
M	8.7	68
L	21.2	27.6
M	10.3	24
S	24.1	27.8
S	17.1	20.8
S	25.2	21.5

Size Sales Growth Earnings Gr

First Previous 1 Next Last

See company information



Screening – Preview a Stock

Results

Show 100 entries

Actions	Company
	Adobe Inc
	AllianceBernstein Holding
	Ameris Bancorp
	Berry Global Group Inc
	Comfort Systems USA Inc
	D.R. Horton Inc
	Domino's Pizza Inc
	Educational Development
	Enghouse Systems Ltd
	First Foundation Inc

Showing 1 to 31 of 31 entries

ADBE - Adobe Inc - Data Preview

Save company to filtered list

1k

100

10

1

11 12 13 14 15 16 17 18 19 20 21

High/Low Sales Earnings Current Price

Search all columns:

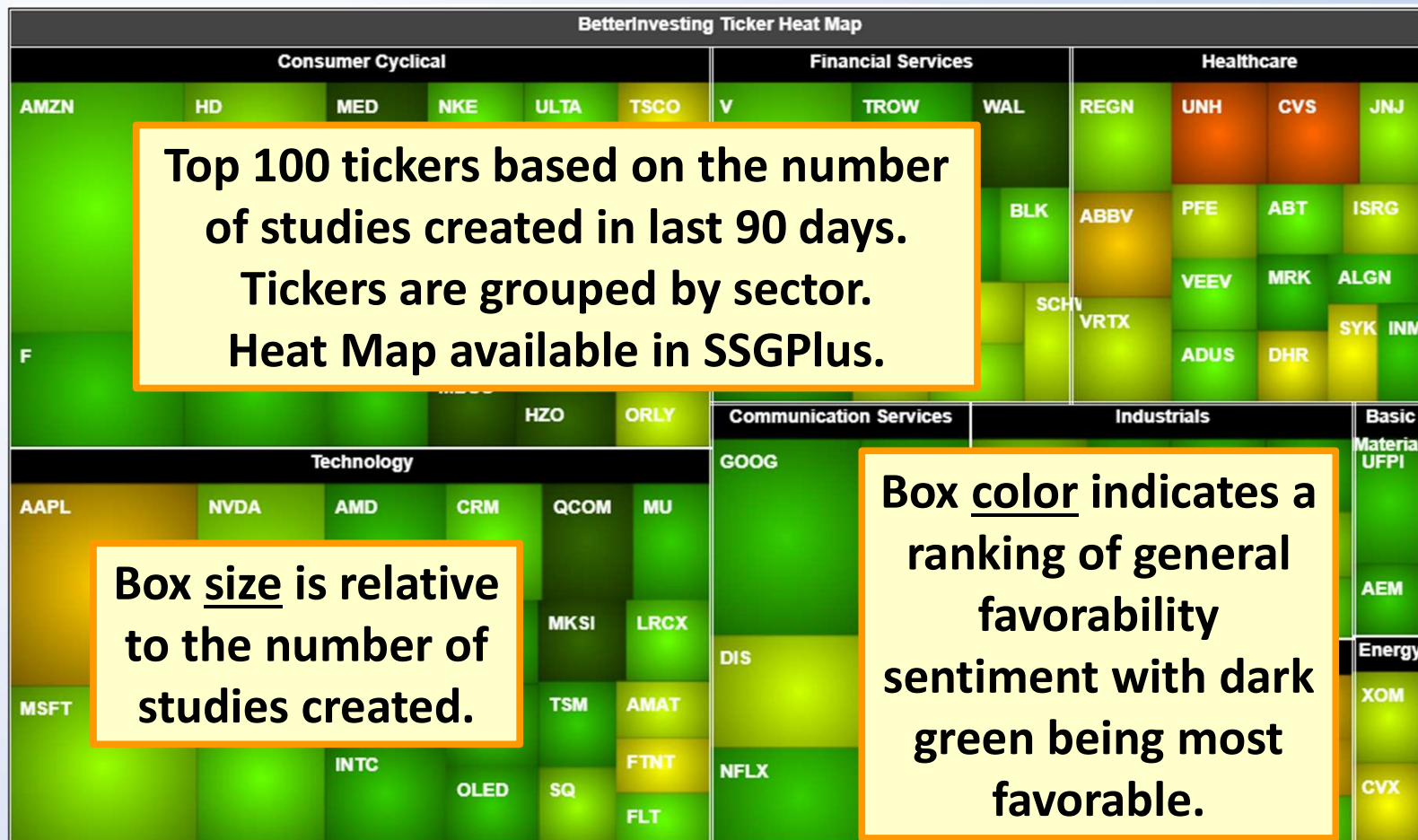
Size	Sales Growth (%)	Earnings Growth (%)
L	14.6	30
S	250.1	51.5
S	21	73.2
L	10.7	115.6
M	8.7	68
L	21.2	27.6
M	10.3	24
S	24.1	27.8
S	17.1	20.8
S	25.2	21.5

Size Sales Growth Earnings Gr

First Previous 1 Next Last



Ticker Heat Map

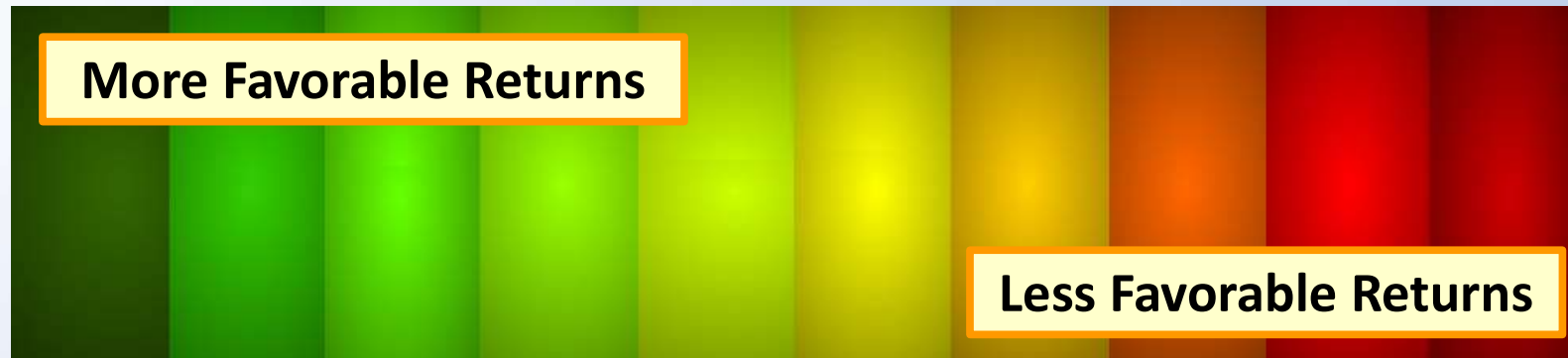


Data as of:
6/10/2022



Ticker Heat Map

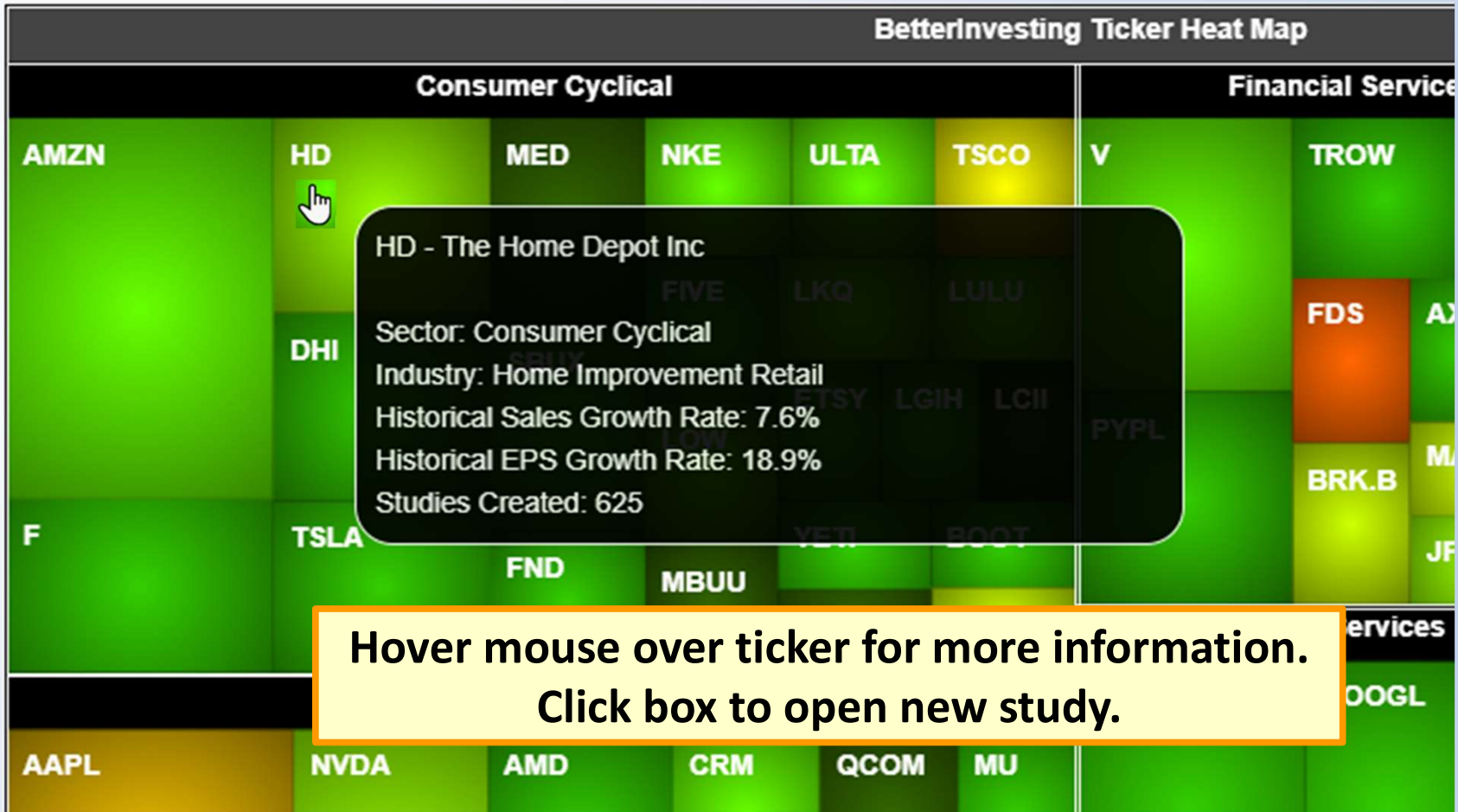
All stocks are 'ranked' by color in comparison to the other stocks



- All colors will be present when stocks are ranked
- Red DOES NOT mean 'sell'
- Green DOES NOT mean 'buy'
- There will always be a dark green and dark red stock on the chart



Ticker Heat Map



Criteria Selection Tip Sheet

- Sales Growth: Any, $>5\%$, $>8\%$ or $>12\%$
 - ✓ $>5\%$ for Large size companies; $>8\%$ for medium; $>12\%$ for small
- 5-year EPS R-squared: Any, >0.5 , >0.7 , or >0.9
 - ✓ >0.9 for very consistent EPS trend, potential sign of good management
- Pre-tax Profit and Return on Equity trends: Up, Even or Down
 - ✓ Generally want Up or Even
- Morningstar Grades: Any, $\geq A$, $\geq B$ or $\geq C$ letter grades
 - ✓ Higher is better, start with A's and B's
- PE / Historical EPS Growth: Any, <1.5 , <1.0 , or <0.8
 - ✓ Look for companies with Historical PEG ratios <1.0 , lower is better



Summary

In this session we:



Reviewed Screener in CoreSSG & SSGPlus

- ✓ 5 to 13 search criteria
- ✓ 2 to 5 predefined screens
- ✓ Results & preview panels
- ✓ Filtered list

Reviewed Ticker Heat Map in SSGPlus



Online Demo Available

- Special thanks to Suzi Artzberger for providing the initial slidepack to build on.
- In Suzi's Dec. 18, 2020 webinar she shows how to find high-quality stock ideas using the online Screening and Stock Ideas tool and where to find even more stock ideas on the BetterInvesting member website.
- The YouTube link to the "Stock Screening and Stock Ideas" webinar with live demo is: <https://youtu.be/ACDnFFxmR9I> and also can be found on BI's Home page under the Learn About Investing / Free Videos dropdown.



Questions

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Re: Screening Stocks to Study
Using the BetterInvesting Online Tools



A “Cheat Sheet” for the SSG



Instructor
Diane Gillit

Vice President for Education – West Texas Chapter

August 31, 2022



Objectives

- Locate the “SSG Cheat Sheet” on the BI Member website
- Identify its uses for new SSGs
- Discuss its club meeting uses
- Explain its use with other SSG tools



Key Elements of Cheat Sheet

- Be available to all BI members
- Follows inputs into the SSG form
- Offers educational info to each SSG entry
- Consistent with new SSG Audit function in the SSG Plus/Core software
- Emphasizes “STOP” if the stock does not meet criteria for a high quality growth company



BI's Stock Selection Guidelines for Beginners

Stock Selection Guide (SSG)



Guidelines for Beginners

This reference sheet presents basic guidelines for beginners when completing your own Stock Selection Guide.

Step 1: Perform a Quality Check on Your Selected Stock

Historical Sales and EPS Growth	Increasing sales and EPS (UP)
	Sales and EPS are growing at a steady, consistent rate (STRAIGHT)
	Sales and EPS are growing at about the same rate (PARALLEL) <ul style="list-style-type: none"> Sales growing faster than EPS may be a red flag
	Is there sufficient growth for the size or the company? <ul style="list-style-type: none"> Small (< \$1 Billion in sales) expected growth rate > 12% Medium expected growth rate between 7% - 12% Large (> \$10 B in sales) expected growth rate between 5% - 7%
Has growth been slowing over recent years?	<ul style="list-style-type: none"> As a company gets larger, growth will slow, but check that it is not slowing down too much.
	Is recent quarterly growth in line with historical growth? <ul style="list-style-type: none"> Large changes warrant investigation.
% Pre-tax Profit on Sales (Profit Margin)	Historical profit margins should be steady (even) or increasing. Profit margins should be as good as or better than competitors' profit margins.
% Earned on Equity (ROE)	Historical Return on Equity (ROE) should be steady (even) or slightly increasing. Significant changes, either up or down, should be investigated. Look for companies with at least 15% ROE. Great companies achieve return on equity of 20%.
Debt	In general, look for debt levels to be less than 33% of capitalization. <ul style="list-style-type: none"> Compare to others in the industry Consider industry averages

**** Continue the study only for companies that pass the Quality Check ****

Revision: 4-23-2016

Step 2: Add Judgment to Complete Your SSG

Judgment Guidelines to Keep New Investors Out of Trouble

Sales and EPS Growth Projections	Understand what the company does to make money.
	Identify items that drive and/or challenge future growth.
	The most recent trends in growth are generally considered to be the most relevant.
	Understand that growth will generally slow as a company gets larger. Check analyst estimates, but use these estimates as additional information rather than as a final judgment. <ul style="list-style-type: none"> finance.yahoo.com www.valueline.com www.morningstar.com
Future P/E Projections	A good rule of thumb is to limit growth projections to 15-20%. Use extreme caution if you estimate above 15%.
	Use extreme caution if you project EPS to grow faster than sales.
	Remove any P/Es that do not seem to fit (significantly higher or lower) from the historical average.
Low Price Projection	Use extreme caution if you estimate future P/Es higher than the historical averages.
	In general, set future high P/E to no more than 30.
Buy Criteria	In most cases, your forecast low price should be at least 20% below the current price.
	If the upside-downside ratio is 9 to 1 or higher, then you probably need to lower your forecast low price.
Buy Criteria	Buy only when the SSG says the stock is in the BUY zone.
	Buy only when the upside-downside ratio is 3 to 1 or higher.
	Buy only when the total compound annualized return is sufficient for your portfolio. A portfolio that grows at 15% compounded annually would double your money in five years.

TIP: Check your library and/or brokerage for FREE online access to Value Line, Morningstar and/or S&P.

Revision: 4-23-2016



The Stock Selection Guide (SSG) Guidelines for Beginners

- Outlines what to look for in quality growth companies
- Offers basic judgment guidelines for investors
- Offers guidelines, not absolute rules



Location – BI Members Webpage

LEARNING CENTER

The screenshot shows the Better Investing Members Webpage. At the top right, a red box highlights the user greeting "Welcome, YOUR NAME" with an exit icon. A central green navigation menu is open, listing various resources. A red callout box labeled "LEARNING CENTER" points to the "LEARNING CENTER" menu item. Another red callout box labeled "WORKSHEETS" points to the "WORKSHEETS" menu item. The page features sections for "Online Tools", "Most Active Stocks", and "Stock Reports". A circular badge in the bottom right corner says "STOCK MADE EASY INVESTING".

LEARNING CENTER

WORKSHEETS

LEARNING CENTER

GET STARTED

YOUR PATH TO BETTER INVESTING

BETTERINVESTING MAGAZINE

VIDEO LEARNING LIBRARY

EVENTS

STOCKUP

TICKERTALK

INVESTOR EDUCATION ARTICLES

WORKSHEETS

Online Tools

Learn about our online stock selection tools.

GET STARTED

TOOLS

LEARNING CENTER

MEMBER BENEFITS

Most Active Stocks

The top 10 companies our members are investing in (ranked by combined buys and sells) are:

Stock Reports

Every week, members from across the country share new stock studies.

STOCK MADE EASY INVESTING

Introduction to the SSG Series Worksheet

BETTERINVESTING™ HOME WELCOME TO BETTERINVESTING LEARNING CENTER ▾ FIND GREAT STOCKS ▾ ONLINE TOOLS ▾ INVESTMENT CLUBS

Getting Started With the Learning Center	<p>Learn as you go with the help of BetterInvesting's downloadable stock, portfolio management and mutual fund study worksheets. These valuable tools make stock analysis, portfolio management and mutual fund analysis easier, faster and more accurate.</p> <p>Stock Analysis Forms</p> <p>Stock Check List (PDF)</p> <p>Stock Selection Guide (SSG) (PDF)</p> <p>Stock Selection Guide & Report (PDF)</p> <p>Stock Comparison Guide (PDF)</p> <p>Introduction to the SSG Series Worksheets</p> <p>Use these worksheets in conjunction with the Introduction to the SSG series or on your own to reinforce the basic information and skills required to complete a Stock Selection Guide. Samples of completed worksheets are included in the Introduction to the SSG class materials located in the Video Learning Library.</p> <p>Quality Worksheet (PDF) - Practice reading the SSG to learn if you are looking at a high quality company.</p> <p>Valuation Worksheet (PDF) - Practice reading a completed SSG to determine a stock's potential return.</p> <p>Estimate Future Growth Worksheet (PDF) - Use this worksheet to gather data to help you forecast the future sales and EPS growth on the SSG.</p> <p>Estimate Future P/Es Worksheet (PDF) - Use this worksheet to gather data to help you forecast the future high and low P/Es.</p> <p>SSG Guidelines for Beginners (PDF) - This document outlines what to look for in a quality, growth company and offers basic SSG judgment guidelines for new investors.</p>	
Your Path To Better Investing		
BetterInvesting Magazine		
Video Learning Library		
StockUp		
TickerTalk		
Worksheets		

SSG Guidelines for Beginners (PDF)



Example

Step 1: Perform a Quality Check on Your Selected Stock

Historical Sales and EPS Growth	Increasing sales and EPS (UP)
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Is recent quarterly growth in line with historical growth? <ul style="list-style-type: none"> Large changes warrant investigation. 	

“Up,
Straight,
Parallel”

Rate of
Growth



STOP!!!

% Pre-tax Profit on Sales (Profit Margin)	Historical profit margins should be steady (even) or increasing. Profit margins should be as good as or better than competitors' profit margins.
% Earned on Equity (ROE)	Historical Return on Equity (ROE) should be steady (even) or slightly increasing. Significant changes, either up or down, should be investigated. Look for companies with at least 15% ROE. Great companies achieve return on equity of 20%.
Debt	In general, look for debt levels to be less than 33% of capitalization. <ul style="list-style-type: none"> • Compare to others in the industry • Consider industry averages

Pre-Tax Profit

Return on Equity

Debt




**** Continue the study only for companies that pass the Quality Check ****



The Stock Selection Guide

Once we determine that we are looking at a high-quality, growth company,



then we can determine if the stock is selling for a fair price.

Judgment Guidelines to Keep New Investors Out of Trouble

Sales and EPS Growth Projections	Understand what the company does to make money.
	Identify items that drive and/or challenge future growth.
	The most recent trends in growth are generally considered to be the most relevant.
	Understand that growth will generally slow as a company gets larger.
	Check analyst estimates, but use these estimates as additional information rather than as a final judgment.
	<ul style="list-style-type: none"> • finance.yahoo.com • www.valueline.com • www.morningstar.com
	<i>TIP: Check your library and/or brokerage for FREE online access to Value Line, Morningstar and/or S&P.</i>
	A good rule of thumb is to limit growth projections to 15-20%. Use extreme caution if you estimate above 15%.
	Use extreme caution if you project EPS to grow faster than sales.
Future P/E Projections	Remove any P/Es that do not seem to fit (significantly higher or lower) from the historical average.
	Use extreme caution if you estimate future P/Es higher than the historical averages.
	In general, set future high P/E to no more than 30.
Low Price Projection	In most cases, your forecast low price should be at least 20% below the current price.
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	Buy only when the upside-downside ratio is 3 to 1 or higher.
	Buy only when the total compound annualized return is sufficient for your portfolio. A portfolio that grows at 15% compounded annually would double your money in five years.

Growth Projections

High P/E Projection

Low Price Projection

Buy
???

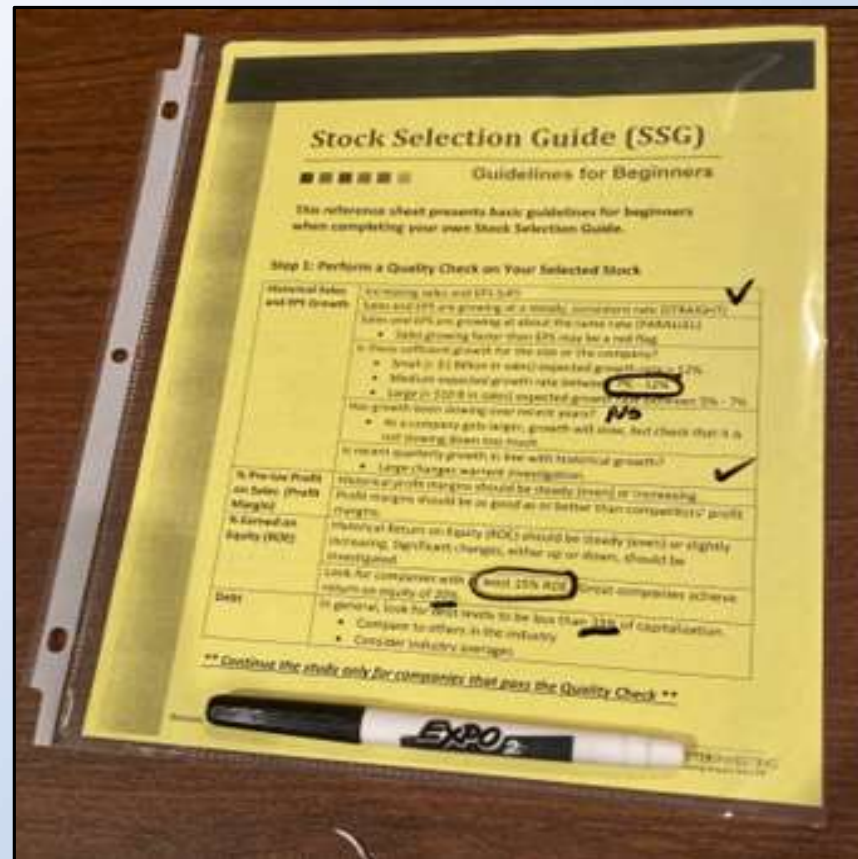


Prepare Guidelines for Long-Term Use

- Print on colored paper to easily locate
- Laminate or use a vinyl sheet protector
- Use dry erase markers to “check off” each guideline



SSG Cheat Sheet



Not Just for Beginners

- “Cheat Sheet” should be used consistently
- Develops “muscle memory” based on best practices
- Saves time by quickly identifying poor candidates
- Reinforces other SSG tools



Club Use

- Require an SSG for all new stocks considered for club purchase
- Encourage members to use the “Cheat Sheet” to prepare their SSG on the new stock
- Complete a group “Cheat Sheet” on all stocks before purchase
- Third-party guidelines are a tactful way for member education



New Audit Tool

BETTER INVESTING
SSG PLUS

Switch Tools
 SSGPlus CoreSSG

File Data Print Research Tools Logout

Analyze Growth and Quality Valuation and Return Quarterly Data Ratios Notes: 1 **Audit**

Company: Quick Navigation

Study Audit

Historical Data		
Review Advised	Category	Explanation
✓	Capitalization	More than one-third of this company's capitalization consists of debt. You may want to consider the nature of the industry and this company's prior track record to determine whether this is acceptable. Last FY Debt to Capital: 100.4%
✓	Historical Earnings Growth	Is this company's earnings growth sufficiently consistent? R-Squared (5 yr): 0.43
✓	Historical Earnings Growth	It appears that some historical data may be irrelevant for forecasting future growth. Therefore, you may wish to eliminate some data as outliers. R-Squared (10 yr): 0.84
✓	Historical Earnings Growth	Earnings have declined during the last fiscal year. Therefore, it might be well to wait until this company has resumed positive growth and shown that it can sustain it. EPS 2020: 3.54 EPS 2021: 3.18
✓	Management Evaluation	Caution! A significant down-trend in profit margins may indicate that management is having controlling costs. Pre-Tax Profit on Sales: 3.4% Pre-Tax Profit on Sales 5 Yr Avg: 4.2%

STOCK MADE EASY INVESTING

Summary

In this session we touched on:



- BI SSG Guidelines for Beginners are not just for the Intro to SSG class series but also work as a “Cheat Sheet”
- Consistent use of the “Cheat Sheet” helps both novice and intermediate SSG users follow BI Best Practices
- Use as a club review tool creates tactful investor education for all members



Questions



Contact:

Diane Gillit

gjoy121788@aol.com

Ref: Hidden Gems/SSG Cheat Sheet



The Other 20 Percent - Using the Balance Sheet



Candace Baker
St. Louis Chapter

August 31, 2022





*The **Stock Selection Guide (SSG)** tells us 80% of what we need to know about a company*



SSG Looks at Company Fundamentals

- Sales (Revenues) : Top Line
 - Pre-Tax Profit
 - Earnings Per Share : Bottom Line
- These fundamentals appear on a company's
Income Statement



Company Financial Statements

- Income Statement
- Balance Sheet
- Cash Flow



What can we learn from the other financial statements?

They are part of the Other 20%!



Balance Sheet

- Accounts Receivable Growth Rate
- Inventory Growth Rate
- Current Ratio
- Quick Ratio

Sources of data

- Yahoo Finance, Value Line, Reuters, Morningstar, Company Annual report

Balance Sheet
ABC Company Inc. Dec. 31, 201X

Assets	
Current Assets	
Cash	
Accounts receivable	7,314
Inventory	
Prepaid expenses	
Short-term investments	5,560
	Total current assets
	12,874
Fixed (Long-Term) Assets	
Long-term investments	
Property, plant, and equipment (Less accumulated depreciation)	2,310
Intangible assets	14,442 (2,200)
	Total fixed assets
	14,552
Other Assets	
Deferred income tax	
Other	
	Total Other Assets
	-
Total Assets	27,426
Liabilities and Owner's Equity	
Current Liabilities	
Accounts payable	
Short-term loans	
Income taxes payable	9,060
Accrued salaries and wages	
Unearned revenue	3,349
Current portion of long-term debt	
	Total current liabilities
	12,409
Long-Term Liabilities	
Long-term debt	
Deferred income tax	
Other	3,450
	Total long-term liabilities
	3,450
Owner's Equity	
Owner's investment	6,000
Retained earnings	5,567
Other	
	Total owner's equity
	11,567
Total Liabilities and Owner's Equity	27,426



First!

Calculate **Sales growth** Year Over Year (YOY)
to determine if **Accounts Receivable** and/ or
Inventory growth are reasonable

We will be using the Sales Growth Rate YOY as
a base line to measure their growth



Basic Year over Year (YOY) Growth Rate Calculation

$(\text{Current Year data} - \text{Year ago data}) / \text{Year ago data} \times 100 =$
Growth Rate



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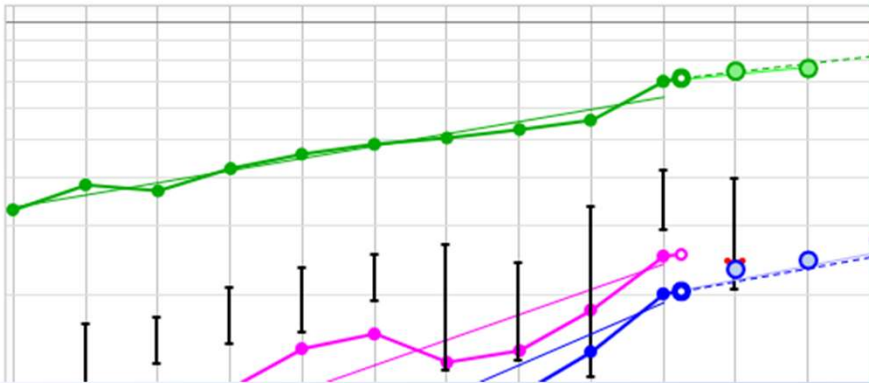
Switch Tools

SSGPlus

CoreSSG

Analyze Growth and Quality Valuation and Return Quarterly Data Ratios Notes

Company: Fortune Brands Home (FBHS) Study Name: FBHS 7/23/22



File Data Print **Research** Tools Logout

- BetterInvesting
- Company Website
- Analyst Estimates**
 - CNN Money Analyst Estimates
 - MarketWatch Analyst Estimates
 - NASDAQ Analyst Summary
 - Seeking Alpha Estimates
 - Yahoo Analyst Estimates**
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Annual | Quarterly | Download

Income Statement

All numbers in thousands

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Breakdown	TTM	12/31/2021	12/31/2020	12/31/2019	12/31/2018
> Total Revenue	7,802,400	7,656,100	6,090,300	5,764,600	5,485,100
Cost of Revenue	5,020,000	4,909,100	3,925,900	3,712,200	3,525,700
Gross Profit	2,782,400	2,747,000	2,164,400	2,052,400	1,959,400
> Operating Expense	1,671,400	1,631,000	1,222,200	1,220,600	1,271,000

Breakdown

> Total Revenue

TTM

7,802,400

12/31/2021

7,656,100

12/31/2020

6,090,300



Income Statement

Sales (Revenues) growth YOY Calculation:

(Current Sales - Year ago Sales) / Year ago Sales X 100

Breakdown	TTM	12/31/2021	12/31/2020
> Total Revenue	7,802,400	7,656,100	6,090,300

$(\$7,656,100 - \$6,090,300) / \$6,090,300 \times 100 = 25.7\%$



Accounts Receivable (A/R) Growth Rate (YOY)

$$(\text{Current A/R} - \text{Year ago A/R}) / \text{Year ago A/R} \times 100$$

A/R should be growing less than or equal to the growth rate of **Sales** YOY



Balance Sheet

Total Assets

Current Assets

Receivables

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Balance Sheet All numbers in thousands

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Breakdown	12/31/2021	12/31/2020	12/31/2019	12/31/2018
∨ Total Assets	7,936,200	7,358,700	6,291,300	5,964,600
∨ Current Assets	2,744,500	2,208,500	1,898,200	1,686,100
> Cash, Cash Equivalents & S...	471,500	419,100	387,900	262,900
> Receivables	885,700	734,900	624,800	571,700
> Inventory	1,193,800	867,200	718,600	678,900
Other Current Assets	193,500	187,300	166,900	172,600
				4,278,500
				3,784,600
				2,180,000
Total Capitalization	5,374,600	5,347,700	4,211,200	3,987,200

Yaho Plus access Lea

> Receivables

885,700

734,900

$$(\$885,700 - \$734,900) / \$734,900 \times 100 = 20.5\%$$



CURRENT POSITION (\$MILL.)	2020	2021	3/31/22
Cash Assets	419.1	471.5	378.2
Receivables	734.9	885.7	1011.6
Inventory (FIFO)	867.2	1193.8	1334.7
Other	187.3	193.5	232.2
Current Assets	<u>2208.5</u>	<u>2744.5</u>	<u>2956.7</u>
Accts Payable	620.5	764.9	728.1
Debt Due	--	400.0	--
Other	<u>724.6</u>	<u>806.2</u>	<u>626.7</u>
Current Liab.	1345.1	1971.1	1354.8

Receivables

$(\text{Current A/R} - \text{Year ago A/R}) / \text{Year ago A/R} \times 100$

$(\$885.7 - \$734.9) / \$734.9 \times 100 = 20.5\%$



Inventory Growth Rate (YOY)

$$\frac{(\text{Current Inventory} - \text{Year ago Inventory})}{\text{Year ago Inventory}} \times 100$$

Inventory should be growing less than or equal to the growth rate of **Sales** YOY



Balance Sheet

Total Assets

Current Assets

Inventory

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Income Statement **Balance Sheet** Cash Flow

Annual Quarterly

Balance Sheet All numbers in thousands

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Breakdown	12/31/2021	12/31/2020	12/31/2019	12/31/2018
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> Inventory	1,193,800	867,200	718,600	678,900
Other Current Assets	193,500	187,300	166,900	172,600
				4,278,500
> Inventory	1,193,800	867,200		3,784,600
				2,180,000
Total Capitalization	5,574,000	5,547,700	4,211,200	3,987,200

$$(\$1,193,800 - \$867,200) / \$867,200 \times 100 = 37.7\%$$



CURRENT POSITION (\$MILL.)	2020	2021	3/31/22
Cash Assets	419.1	471.5	378.2
Receivables	734.9	885.7	1011.6
Inventory (FIFO)	867.2	1193.8	1334.7
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Other	724.6	806.2	626.7
Current Liab.	1345.1	1971.1	1354.8


Inventory

**(Current Inventory – Year ago Inventory) /
Year ago Inventory X 100**

$$(\$1193.8 - \$867.2) / \$867.2 \times 100 = 37.7\%$$



Summary

- **Sales Growth** : 25.7%
 - **Accounts Receivable Growth** : 20.5%
 - **Inventory Growth** : 37.7% 
- If either **Accounts Receivable** or **Inventory** are growing faster than **Sales**, you will need to do some research to understand why



Balance Sheet

- ✓ • Accounts Receivable Growth Rate
- ✓ • Inventory Growth Rate
- Current Ratio
- Quick Ratio

Source of data

- Yahoo Finance, Value Line, Reuters, Morningstar, Company Annual report



What is Current Ratio?

- Liquidity ratio that measures a company's ability to pay short-term obligations or those due within one year.
- Shows how a company can use its Current Assets to satisfy Current Liabilities (current debt and other payables).



Current Ratio

Current Assets / Current Liabilities = Current Ratio

- A rule of thumb is that the **Current Ratio** should be 2:1 or higher
 - ✓ Compare to industry peers
- Information can be found on the Balance Sheet or in Value Line



CURRENT POSITION (\$MILL.)	2020	2021	3/31/22
Cash Assets	419.1	471.5	378.2
Receivables	734.9	885.7	1011.6
Inventory (FIFO)	867.2	1193.8	1334.7
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Current Liab.	1345.1	1971.1	1354.8

Current Assets

Current Liab.

Current Assets / Current Liabilities = Current Ratio

$$\text{\$2,744.5} / \text{\$1,971.1} = \mathbf{1.4 : 1}$$



Quick Ratio (Acid Test)

- Ratio indicating if the company can pay its Current Liabilities without needing to sell Inventory or get financing.
- It's considered a more conservative measure than the **Current Ratio**
 - **Current Ratio** includes all Current Assets as coverage for Current Liabilities.



Quick Ratio (Acid Test)

$$(\text{Current Assets} - \text{Inventory}) / \text{Current Liabilities} = \text{Quick Ratio}$$

- A rule of thumb is that the **Quick Ratio** should be at least 1:1
 - ✓ Compare to industry peers



CURRENT POSITION (\$MILL.)	2020	2021	3/31/22
Cash Assets	419.1	471.5	378.2
Receivables	734.9	885.7	1011.6
Inventory (FIFO)	867.2	1193.8	1334.7
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Current Liab.	1345.1	1971.1	1354.8

Inventory

Current Assets

Current Liab.

**(Current Assets – Inventory) / Current Liabilities
= Quick Ratio**

$$(\$2,744.5 - \$1,193.8) / \$1,971.1 = 0.79 : 1$$



Most Recent Quick Ratio (Acid Test)

CURRENT POSITION (\$MILL.)	2020	2021	3/31/22
Cash Assets	419.1	471.5	378.2
Receivables	734.9	885.7	1011.6
Inventory (FIFO)	867.2	1193.8	1334.7
Other	187.3	193.5	232.2
Current Assets	2208.5	2744.5	2956.7
Accts Payable	620.5	764.9	728.1
Debt Due	--	400.0	--
Other	724.6	806.2	626.7
Current Liab.	1345.1	1971.1	1354.8

Inventory

Current Assets

Current Liab.

**(Current Assets – Inventory) / Current Liabilities =
Quick Ratio**

$$(\$2,956.7 - \$1,334.7) / \$1,354.8 = 1.2 : 1$$



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Analyze Growth and Quality

Valuation and Return

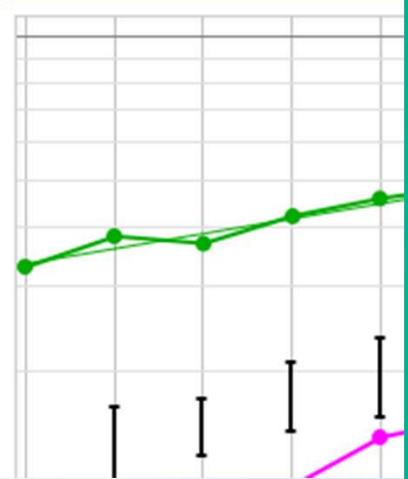
Quarterly Data

Ratios

Notes

Audit

Company: Fortune Brands Hor



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- Analyst Estimates
- Company Summaries
- Filings and Transcripts
- Financial Statements
- Key Statistics**
- Price Charts

Finviz

Momingstar Key Ratios

Yahoo Key Statistics



Key Statistics

Overview

Growth

Operating and Efficiency

Financial Health

Cash Flow

Valuation

Price/Book	Price/Cash Flow	Price/Sales	Price/Earnings
3.07	16.42	1.21	12.17

As of Jul 22, 2022

Growth (3-Year Annualized)

Revenue %	Operating Income %	Net Income %	Diluted EPS %
11.76	17.37	25.62	27.71


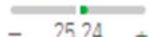
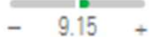
As of Dec 31, 2021 | Restated Data

Financial Health

Quick Ratio *	Current Ratio *	Interest Coverage	Debt/Equity *
1.03	2.18	12.96	1.21
			

As of Mar 31, 2022 | * Restated Data

Profitability

Return on Assets %	Return on Equity %	Invested Capital %	Net Margin %
9.86	26.56	13.79	9.94
			

As of Mar 31, 2022



Key Statistics

Overview

Growth

Operating and Efficiency

Financial Health

Cash Flow

Liquidity/Financial Health	14-12	2015-12	2016-12	2017-12	2018-12	2019-12	2020-12	2021-12	Latest Qtr
Current Ratio	1.86	1.87	1.71	1.77	1.13	1.35	1.64	1.39	2.18
Quick Ratio	0.93	0.98	0.95	0.97	0.56	0.72	0.86	0.69	1.03
Financial Leverage	1.79	1.99	2.17	2.12	2.74	2.59	2.65	2.59	2.83
Debt/Equity	0.28	0.48	0.61	0.58	0.83	0.79	0.98	0.81	1.21
Book Value/Share	14.78	15.02	15.38	16.75	15.89	16.73	18.96	22.62	22.58



Summary

In this session we touched on:

- The SSG tells us 80% of what we need to know – It deals with Income Statement metrics
- Balance Sheet can give us additional information about a company
- Check growth of **Accounts Receivable** and **Inventory** compared to **Sales Growth**
- Examine **Current** and **Quick Ratios**



Remember



The Balance Sheet gives us some of the other 20% that we need to know about a company



Questions



Contact:

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treasurer@stlouis.betterinvesting.net



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