

# **Conducting Company Research: How to Do It & How to Capture Your Findings**

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# Research Objectives

We need to analyze and evaluate:

1. How the company makes money
2. Sales & earnings estimates
3. P/E estimates
4. Low price estimates
5. Risk v. Reward and Total Return Results
6. Appropriateness for the portfolio



# Conducting Company Research

The breakdown:

- Step 1: Find it!
- Step 2: Organize it!
- Step 3: Present it! to your club



## **Our Goal Today**

**We want you to get excited  
about trying one new tool or  
resource**



## Disclaimer

All information presented is for educational purposes only. The mention of a specific stock is not intended to be a recommendation of any kind.



Conducting Company Research:  
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**FIND IT!**



## FIND IT! Overview

- Analyst projections from multiple financial sites
- A variety of data from several commercial data services
- Company website (Investor Relations)
  - Earnings press releases
  - Company presentations
- BetterInvesting website



## FIND IT! Overview

Two research tool locations:

- the Research Tab in the **online** SSG
- the **online** databases in the public library



# Research Tab on the Online SSG

File	Data	Print	<b>Research</b>	Tools	Close	CoreSSG
<b>BetterInvesting</b>				<b>Company Research</b>		
Company Website				BI Magazine		
Analyst Estimates			▶	Member Sentiment		
Company Summaries			▶	Ticker Heat Map (see Stock Ideas)		
Filings and Transcripts			▶			
Financial Statements			▶			
Key Statistics			▶			
Price Charts			▶			

BetterInvesting sub-menus







# Library Online Databases

## Newport Beach Public Library

### Business and Investments

- [Morningstar](#)  
A resource for insightful information on stocks, mutual funds, variable annuities, closed-end funds and more.
- [Rand California](#)  
**This database can only be used at the library.**
- [Realquest](#)  
**This database can only be used at the library and requires staff assistance to log on.**
- [Reference USA](#)  
Provides directory information for U.S. businesses and residents.
- [S & P NetAdvantage](#)  
Provides independent credit ratings, indices, risk evaluation, investment research and data.
- [ValueLine](#)  
Online version of The Value Line Investment Survey

- **Home>eBranch>Databases>** select from drop down menu
- [www.newportbeachlibrary.org](http://www.newportbeachlibrary.org)



## Libraries with Online Databases

- Pasadena Public Library - Morningstar
- Santa Monica Public Library - Morningstar and Value Line
- Riverside Public Library, Riverside County libraries - no access
- Redlands - A.K.Smiley Public Library - Morningstar
- Las Vegas/Clark County Library District - Morningstar and Value Line



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**ORGANIZE IT!**



# Organize it! Overview

1. Analysis & **Research**
2. **Research** & Presentation
3. Tracking Performance -- tools covered at a later date. (Except for SSG Best Practice: Using Notes)

A word about tool titles...



## BetterInvesting Research Tools

Path to blank copies on the BI website:

**Home > Tools & Resources > Worksheets**

1. **Intro to SSG Series:** four 1-pg. Worksheets
2. **SSG Guidelines for Beginners**  
(checklist/reference sheet) (2 pages.)
3. **Stock Research Form** (4 pages)
4. **First Cut Stock Study Report** (2 pages)



## Analysis & Research

**Quality Worksheet** – Read the SSG. Is this a quality company?

**Valuation Worksheet** – Read the SSG. What is the stock's potential annualized return?

**Estimate Future Growth Worksheet** – Complete the SSG. Project the future Sales and EPS growth.

**Estimate Future P/Es Worksheet** – Complete the SSG. Project the future high and low P/Es .



# 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"> <li>Sales growing faster than EPS may be a red flag</li> </ul>
	Is there sufficient growth for the size of the company? <ul style="list-style-type: none"> <li>Small (&lt; \$1 Billion in sales) expected growth rate &gt; 12%</li> <li>Medium expected growth rate between 7% - 12%</li> <li>Large (&gt; \$10 B in sales) expected growth rate between 5% - 7%</li> </ul>
	Has growth been slowing over recent years? <ul style="list-style-type: none"> <li>As a company gets larger, growth will slow, but check that it is not slowing down too much.</li> </ul>
% Pre-tax Profit on Sales (Profit Margin)	Is recent quarterly growth in line with historical growth? <ul style="list-style-type: none"> <li>Large changes warrant investigation.</li> </ul>
	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



## Research & Presentation

Using the [Stock Research Form](#) to **structure and organize** the research necessary to support the judgments on your Stock Selection Guide (SSG)

- May be TMI (too much information) for most stocks,
- But: A good starter tool for researching small stocks that may not have 5 years history yet.



## Research & Presentation

### First Cut -

- Uses a standardized presentation format that directly reflects the steps in SSG analysis and the rationale for your decisions.
- You can easily share your analysis with other investors.
- It is simple, not overwhelming. You can even cut and paste!
- Easily completed after you have used the analysis and research forms discussed earlier.



## Samples of Completed Forms

Path: **Home > Education > My Classes**

1. **Intro to SSG Series** uses the four 1-page worksheets that we talked about along with the SSG Guidelines for Beginners
2. **Adding Judgement to the SSG Series** uses the 4-page Stock Research Form
3. First Cut (completed) Stock Studies are covered in the next section



## Organize It! Summary

We want our research tools to:

- align with the SSG, be simple to use, and flexible enough for a narrative analysis
- not take too much time to complete
- provide us with a simple way to present the company and our recommendations
- be “teaching” tools (at least some of them) in order to mentor new members
- be a repository for the buy (and sell) decision-making process and rationale



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**PRESENT IT TO YOUR CLUB!**



## First Cut Stock Study Report

This presentation format works because:

- Research data can be presented in a clear and consistent format
- Flexible enough for
  - **narrative** analysis
  - Recording one-time events and SSG data table adjustments
- Captures specific data elements
- Justifies your SSG judgments



## Where to find First Cuts

From the BI home page:

1. Go to **Tools & Resources tab > Worksheets** then scroll to **First Cut Form** (blank forms)  
or
2. Go to **Tools & Resources tab > First Cut.**

This takes you directly to the First Cut library of stock studies and SSG's completed using the First Cut form

<b>Company Name:</b>		<b>Ticker:</b>	
<b>Date of Study:</b>		<b>Price:</b>	\$
<b>Your Name:</b>			
<b>Email address:</b>		<b>Consent to post email on web</b>	
<b>City:</b>		<b>State:</b>	
<b>Chapter Name (if applicable):</b>			

**Discuss why you consider this to be a high quality, growth company that should be investigated further. Please include comments on historical sales and EPS growth, pre-tax profit margin, return on equity, and debt.**

**Briefly describe how the company makes money:**



## Analyze Growth and Quality

- CoreSSG guides you through questions on the Analyze Growth and Evaluate Management tabs
- Your completed BI Quality Worksheet
- Company presentations on growth drivers (Investor Relations)
- Comprehensive Morningstar analysis of moat, growth drivers, bulls and bears, etc.

**Projected growth rate for sales: %**

**Why did you select this rate? Discuss from where future growth will come.**

**Projected growth rate for earnings per share: %**

**Why did you select this rate?**

**Projected High P/E:**

**Why did you select this value?**

**Projected Low P/E:**

**Why did you select this value?**

**At the current price, the stock is a (check one):**

**Buy** or **Hold** or **Sell**

**At the current price, the upside-downside ratio is: to 1**

**Compound Annual Return – Using Forecast High P/E: %**

**Your final recommendation (check one):**

**Buy** or **Hold** or **Sell**

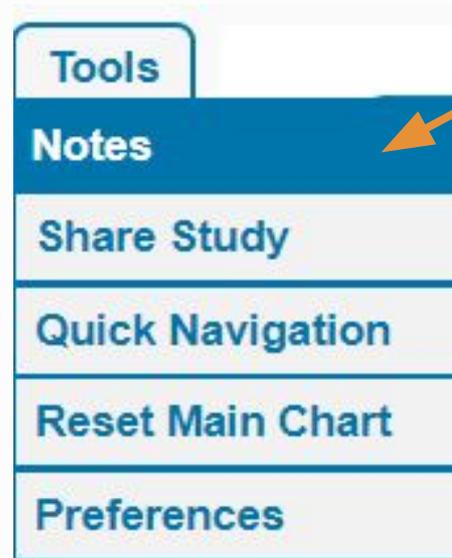
**Explain:**

A large empty rectangular box with a thin orange border, intended for the user to provide an explanation for their recommendation.



## SSG Notes Function

- Toolkit 6, the online SSGPlus, and CoreSSG all have “Notes”





# SSG Notes Function

▶ Edit Notes

Notes

Subject

Description

Date Modified

Subject:

Description:

Delete Note

New Note

Save Note



# SSG Notes Function

▶ Edit Notes

Subject	Description	Date Modified
Jan. 2017 Report	UID is 8 to 1. Closing price is 49.00 2/2/17 We paid 43.15/share. Upside potential price appreciation is 18.0% Realty? Hold until we find a suitable alternative.	02/03/17
Mar. 2017 Report. Acquires Marisco Distribution	Price is 51.80. Price reached 52-week high of 51.88 (BI shows 51.85) this week. Consider selling between 52. and 57 or re-do SSG. This is a slow growth industry that has shown some life since the election in November	03/04/17
Apr 2017 Report	Price is 51.50 and reached another 52 week high in the past month. Setup an alert or limit order to sell this stock when it hits \$55. The high VL projection is \$60 within the next 5 years. Sales are flat and not meeting VL projections. Use the cash for a better opportunity.	04/01/17
May 2017 Report	Price is 45.53 today (paid 43.15). Going back down to signature. Dividend .32/share to be issued May 25. If we need the cash, sell it.	05/06/17
June 2017 Report	Price is 43.61 today (paid 43.15) Down again. Sell if we need the cash. The price is where we bought it. If it goes back down to 38.00 buy it. This is a core company... it has been through many recessions, but it has no real prospects for immediate growth.	06/03/17
July 2017 Report.	Price keeps sinking. Now 42.53. Sell if we need the cash. Now an industry laggard.	07/01/17

Subject:

Description:

Delete Note

New Note

Save Note



## Analysis / Research / Presentation

Some Interesting Checklists --

High Returns Investment Club: [Initial Stock Presentation Checklist](#)

Space Coast Model Club: [Stock Analysis Form](#)

[Bank Evaluation Checklist](#)



## Next Steps

What happens next?

That's up to you!

Consider these steps

- Pick a new worksheet and try it
- Begin using the Notes in the online SSG
- Complete and submit a First Cut
- Adopt any of these resources as training support for new members
- Summer Studies



## Suggestions for Summer Studies

My Classes: Updated Courses

- **Buy the Best** Education Series  
(available to Plus Members?)  
Industry studies, using the Stock Comparison Guide and “Preliminary” Stock Studies.
- **Adding Judgment** Education Series
- **Introduction to the SSG** Education Series



## Suggestions for Summer Studies

### Special Topics Studies & Webinars

Making adjustments to SSG Data Tables (Quarterly & Annual) as a result of Tax Cuts Act.

May 2, 2018 **The PERT Report and Your Portfolio Health** StockUp Recording



## **BIGW Next Steps**

Follow-up information in:

- The Golden West Sun (chapter newsletter on the website)
- The Sun Bulletin (chapter email by subscription)

BIGW webinars on:

- Chapter Stock Studies (with 2017 tax cut data table adjustments)
- Completing a First Cut Stock Report
- Chapter Member requests



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