

# How Can I Be Sure?



Cy Lynch

**April 29, 2021**



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# Session Overview

- Review role of SSG in stock selection and portfolio management
- What the Preferred Procedure really is
- Explore ways to use data services to verify and validate our SSG judgments
  - Value Line
  - Morningstar Premium Service
  - Finance Yahoo
  - Manifest Investing



### More about our “Stars”

- All except Finance Yahoo (and basic Morningstar.com) are pay subscription services
- Value Line
  - Free reports on the Dow 30
  - Available through many public and school libraries
- Morningstar Premium
  - Available through some brokers
  - Available through some libraries



## Preferred Procedure – What It Is

- “Expected Income Statement”
- Based on four judgments

KNIGHT TRANSPORTATION, INC. AND SUBSIDIARIES

Consolidated Statements of Income  
For the Year Ended December 31, 2012  
(In thousands, except per share data)

	2012	2017
<b>Revenue:</b>		
Revenue, before fuel surcharge	\$ 752,151	
Fuel surcharge	183,885	
<b>Total revenue</b>	<b>\$ 936,036</b>	<b>\$ ??????</b>
<b>Operating Expenses:</b>		
Salaries, wages and benefits	238,266	
Fuel	230,178	
Operations and maintenance	61,875	
Insurance and claims	32,138	
Operating taxes and licenses	16,184	
Communications	5,172	
Depreciation and amortization	85,056	
Purchased transportation	148,022	
Miscellaneous operating expenses	10,878	
Total operating expenses	827,769	
Income from operations	108,267	
<b>Other Income:</b>		
Interest income	417	
Interest expense	(457)	
Other income	1,550	
Total other income	1,510	
<b>Income before income taxes</b>	<b>\$ 109,777</b>	<b>\$ ??????</b>
Income Taxes	45,014	
<b>Net income</b>	<b>64,763</b>	<b>\$ ??????</b>
Basic Earnings Per Share	\$ 0.80	
<b>Diluted Earnings Per Share</b>	<b>\$ 0.80</b>	<b>\$ .xx</b>
Weighted Average Shares Outstanding - Basic	79,673	
Weighted Average Shares Outstanding - Diluted	80,000	

**Projected Sales Growth Rate** (indicated by a blue arrow pointing from 2012 Total revenue to 2017 Total revenue)

**Projected Pre-tax Profit Margin** (indicated by a pink arrow pointing from 2012 Income before income taxes to 2017 Income before income taxes)

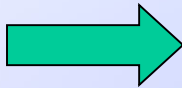
**Less Taxes** (indicated by a green box around the Income Taxes line)

**Divided by Diluted Shares** (indicated by a green box around the Diluted Earnings Per Share line)





## Preferred Procedure – What It Is

Four main judgments  **Expected Income Statement**

### Preferred Procedure Calculation

	Defaults	Overrides	2017
Projected 5 Year Sales @:	<input checked="" type="radio"/> 9.5%	<input type="radio"/>	0.0 \$ 1,473.5
Less Expenses(5 Yr Avg % Pre Tax Profit Margin):	<input type="radio"/> 12.4%	<input checked="" type="radio"/>	11.7 -1,301.1
Less Taxes(Last yr. Tax Rate ):	<input checked="" type="radio"/> 40.0%	<input type="radio"/>	0.0 -69.0
Less Preferred Dividends (Current Pref'd Div):	<input checked="" type="radio"/> \$0.0	<input type="radio"/>	0.0 0.0
Projected 5 Yr Total Earnings			\$ 103.4
Divided by Shares Outs. (Current Sh's. Outs.(M)):	<input type="radio"/> 79.7	<input checked="" type="radio"/>	81.3 1.27

1

2

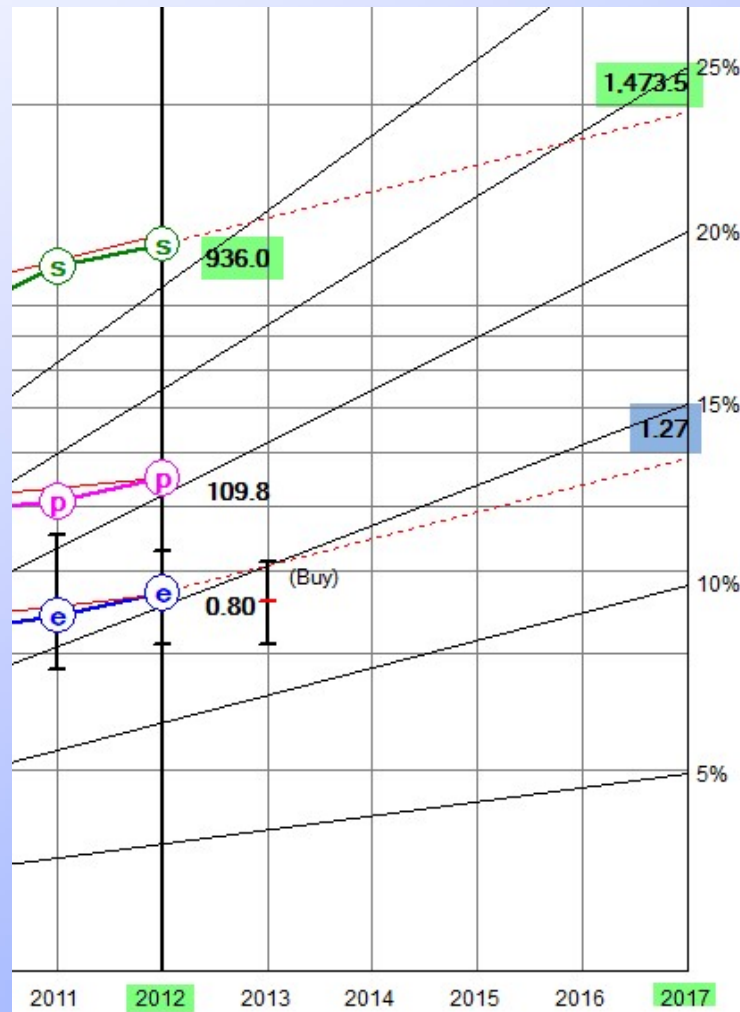
3

4



## Preferred Procedure – What It Is

- “Graphical”  
**Expected  
Income  
Statement**
- Same four  
judgments



1

2

3 & 4





### Preferred Procedure – Why It's Better

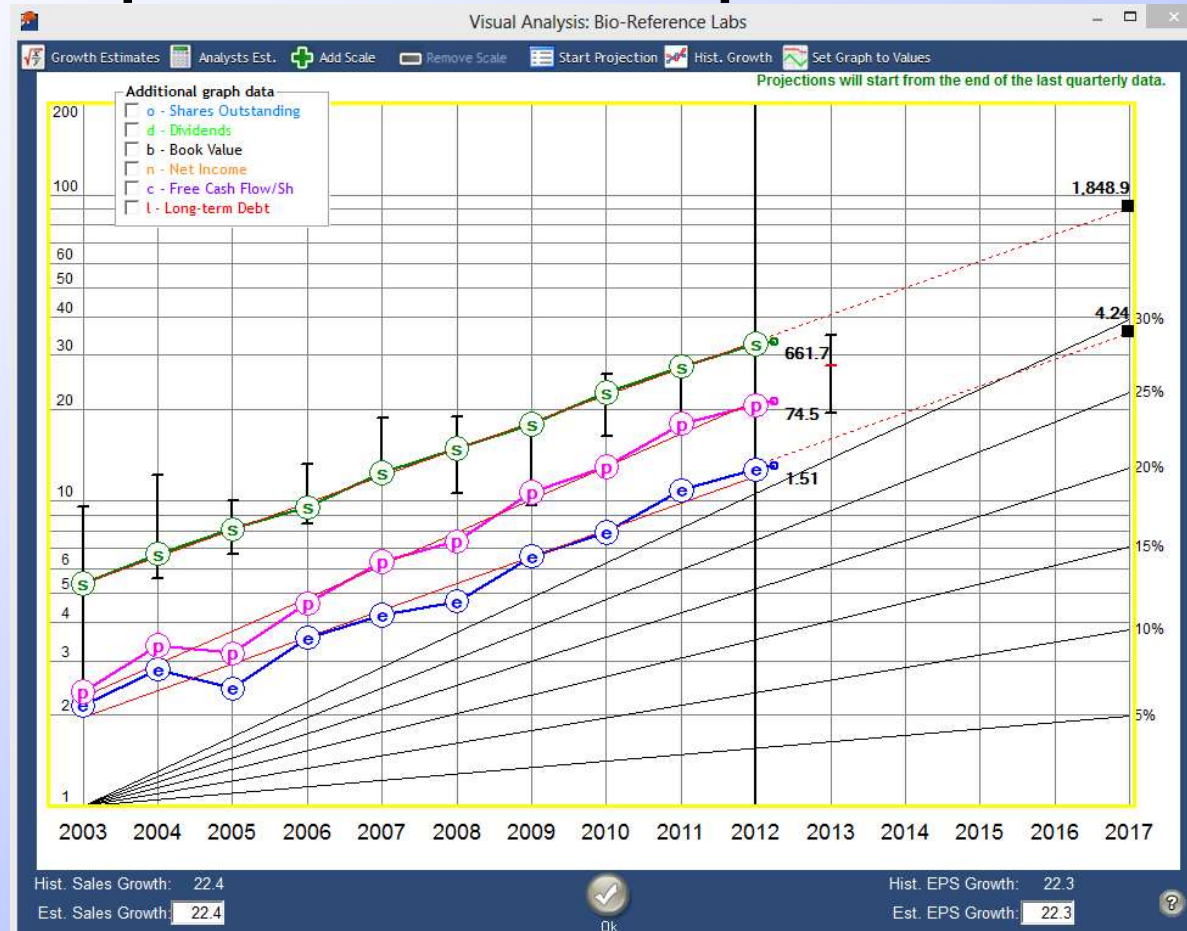
- Helps us understand the company's business model
  - How management turns sales into EPS
- Allows us to make more rational, and often easier, judgments
- Lends confidence to your EPS projection
  - **Makes explicit judgments that are always implicit**



# Stock Investing Made Easy

## The Implicit Made Explicit

- Up, straight, parallel
- Easy to project?
- But what are you assuming?



# Why It's Better

- Historical sales often more consistent than EPS
  - Thus growth rate can be easier to project
- Allows us to rationally project EPS to increase faster than sales where it makes sense
- Also better in “change situations”, e.g. maturing company, change in business cycle (recession adjustment), mergers or spin-offs



### Completing the SSG – Preferred Procedure

- Past Class on “Preferred Procedure Simplified”

<https://attendee.gotowebinar.com/recording/1428008727154732295>



## Completing the SSG – Preferred Procedure

Preferred Procedure Calculation			
	Defaults	Judgments	Result
Projected 5 Year Sales Growth Rate (Your Forecast):	11.0%	<input type="text" value="11"/>	61,045
Less Expenses (5 Yr Avg % Pre-Tax Profit Margin):	25.7%	<input type="text" value="28"/>	-43,952
Less Taxes (Last Yr. Tax Rate):	6.5%	<input type="text" value="13"/>	-2,222
Less Preferred Dividends (Current Pref'd Div):	0.0	<input type="text" value="0.0"/>	0
Projected 5 Yr Total Earnings:			14,871
Divided by Shares Outs. (Current Dil. Shares(M):	1,647.0	<input type="text" value="1,480.0"/>	10.05
5 Year Compound Annual EPS Growth Rate:			16.4%





# Completing the SSG – Preferred Procedure

- Open Preferred Procedure Calculation dialog box
  - Enter tentative sales growth and pre-tax profit margin projections
  - Project tax rate
    - I generally use management's projection (if any) or Value Line projection unless it's unusual
  - Project shares outstanding
    - Observe historical trend
    - Test Value Line projection for reasonableness
  - Consider 2<sup>nd</sup> Opinions for sales growth and pre-tax profit margin



# Stock Investing Made Easy

## Value Line as a Data Source

**ABBVIE INC. NYSE-ABBV**

RECENT PRICE: 97.27 P/E RATIO: 9.4 (Trailing: 10.5) RELATIVE P/E RATIO: 0.47 DIV/YLD: 4.9% VALUE LINE: 1611

High: 54.8 Low: 33.3 70.8 45.5 71.6 45.4 68.1 50.7 99.1 59.3 125.9 77.5 92.3 62.7 99.4 62.6

Target Price Range 2023 2024 2025

18-Month Target Price Range: Low-High Midpoint (% to Mid)

2023-25 PROJECTIONS

Year	Price	Gain	Ann'l Total
High	195	(+100%)	22%
Low	130	(-35%)	12%

2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021

MARKET CAP: \$144 billion (Large Cap)

CURRENT POSITION 2018 2019 3/31/20

Business: AbbVie Inc. engages in the discovery, development, manufacture, and sale of pharmaceutical products worldwide. Its products are focused on treating conditions such as chronic autoimmune diseases in rheumatology, gastroenterology and dermatology; oncology, including blood cancers; virology, including HIV and HIV-related neurological disorders, such as Parkinson's disease; metabo-

**AbbVie completed its mega merger with Allergan.** The drugmaker finalized its acquisition of Botox-maker Allergan on May 8th, nearly a year after the deal was first announced. Under the terms, AGN shareholders received 0.866 shares of ABBV stock and \$120.30 in cash for each unit held, for a total consideration of \$193.23, based on May 7th's closing price. The roughly \$63 billion transaction represented one of the largest in pharmaceutical industry history. We have adjusted our 2020 and 2021 estimates to reflect the deal's completion.

The addition provides some much-needed diversity to the portfolio. AbbVie has been heavily dependent on the success of its blockbuster drug Humira over these past few years (accounted for about 60% of total sales in 2018 and 2019). While the franchise has performed exceptionally well and is currently the top-selling medication in the world (raked in \$19.2 billion in 2019), it has started to see some deceleration in recent quarters due to increased biosimilar competition overseas. In our view, Allergan's product portfolio, highlighted by the lucrative Botox

lic diseases, including thyroid disease and complications associated with cystic fibrosis, and other serious conditions. Offidris, own less than 1% of comm. stock Vanguard, 8.3%; BlackRock, 6.7%; Capital Research Global Investors, 5.6% (3/20 proxy). Chrm./CCE: Richard A. Gonzalez, Inc. DE. Addr: 1 North Waukegan Rd, North Chicago, IL 60064. Tel: 947-932-7900. Internet: www.abbvie.com.

franchise, should provide a meaningful boost and help to lessen AbbVie's dependence on Humira. We believe the combined portfolio has the potential to exceed \$50 billion in annual sales by 2021. The pipeline should offer additional support over the long term. AbbVie currently has more than 120 drug programs in its pipeline, roughly half of which are in mid- and late-stage trials. The company's first-line treatment for multiple myeloma, Empliciti, has generated some buzz and will be worth monitoring in the coming months. Recently launched immunology assets Skyrivz and Rinvoq are also poised to be more meaningful contributors over the next five years. The stock's Timeliness rank has been upgraded to 1 (Highest). Based on our system, ABBV shares currently represent one of the more-attractive year-ahead growth plays in the pharmaceutical space. For longer-term investors, our projections reflect above-average price appreciation over the pull to 2023-2025. A near 5% dividend yield is also a key draw for income-oriented portfolios.

Michael Barry July 3, 2020

Company's Financial Strength A  
Stock's Price Stability B  
Price Growth Persistence 90  
Earnings Predictability 75

2019	2020	2021	© VALUE LINE PUB. LLC	23-25
22.49	30.95	36.50	Sales per sh	41.20
9.32	10.60	12.10	"Cash Flow" per sh	13.85
8.94	10.30	11.80	Earnings per sh <sup>A</sup>	13.50
4.28	4.72	4.96	Div'ds Decl'd per sh <sup>B</sup>	5.76
.37	.35	.40	Cap'l Spending per sh	.50
d5.53	d2.05	2.05	Book Value per sh <sup>C</sup>	12.15
1478.9	1480.0	1480.0	Common Shs Outst'g <sup>D</sup>	1480.0
8.7	<b>Bold figures are Value Line estimates</b>		Avg Ann'l P/E Ratio	12.0
.47			Relative P/E Ratio	.65
5.5%			Avg Ann'l Div'd Yield	3.6%
33266	45800	54000	Sales (\$mill)	61000
48.7%	45.0%	45.0%	Operating Margin	46.0%
464.0	460	470	Depreciation (\$mill)	500
13324	15240	17460	Net Profit (\$mill)	19980
8.6%	10.0%	11.0%	Income Tax Rate	13.0%
40.1%	33.3%	32.3%	Net Profit Margin	32.8%





## Value Line as Source for Tax Rate

- Tax rate using VL

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22.49	<b>30.95</b>	<b>36.50</b>	Sales per sh	<b>41.20</b>
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40.1%	<b>33.3%</b>	<b>32.3%</b>	Net Profit Margin	<b>32.8%</b>



## Value Line as Source for Projected Diluted Shares

VL projected net profit / VL projected EPS = Projected Diluted Shares

- Formula:  
 $19980 / 13.50 = 1480.0$   
 shrs.

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# Confirming Your EPS Projection

- Check other Sales and EPS opinions
  - Consensus analyst estimates
    - [finance.yahoo.com](http://finance.yahoo.com)
  - Value Line
  - Morningstar analyst reports (Premium only)
  - Company guidance (if any)





## Confirming Your EPS Projection

- Consensus analyst estimates: [finance.yahoo.com](https://finance.yahoo.com)

**AbbVie Inc. (ABBV)**  
NYSE - NYSE Delayed Price. Currency in USD

☆ Add to watchlist    👤 Visitors trend 2W ↑ 10W ↑ 9M ↑

**94.51** -0.35 (-0.37%)    **94.45** -0.06 (-0.06%)  
At close: 4:02PM EDT    After hours: 7:41PM EDT

Summary    Company Outlook 🔒    Chart    Conversations    Statistics    Historical Data    Profile    Financials    **Analysis**    Options

Earnings Estimate				
	Current Qtr. (Sep 2020)	Next Qtr. (Dec 2020)	Current Year (2020)	Next Year (2021)
No. of Analysts	12	12	16	16
Avg. Estimate	2.76	2.9	10.45	12.11
Low Estimate	2.73	2.82	10.35	11.37
High Estimate	2.87	3.04	10.68	12.7
Year Ago EPS	2.33	2.21	8.94	10.45

Revenue Estimate				
	Current Qtr. (Sep 2020)	Next Qtr. (Dec 2020)	Current Year (2020)	Next Year (2021)
No. of Analysts	10	10	15	15
Avg. Estimate	12.82B	13.71B	45.6B	53.53B
Low Estimate	12.7B	13.48B	45.35B	52.55B
High Estimate	12.89B	14.08B	46.7B	54.46B
Year Ago Sales	8.48B	8.7B	33.27B	45.6B
Sales Growth (year/est)	51.20%	57.50%	37.10%	17.40%



# Confirming Your EPS Projection

- Look for significant changes in analyst projections (even short-term) as potential red flags

EPS Trend	Current Qtr. (Sep 2020)	Next Qtr. (Dec 2020)	Current Year (2020)	Next Year (2021)
Current Estimate	2.76	2.9	10.45	12.11
7 Days Ago	2.76	2.9	10.45	12.09
30 Days Ago	2.75	3.01	10.32	11.88
60 Days Ago	2.74	3.01	10.28	11.71
90 Days Ago	2.46	2.48	9.48	10.31

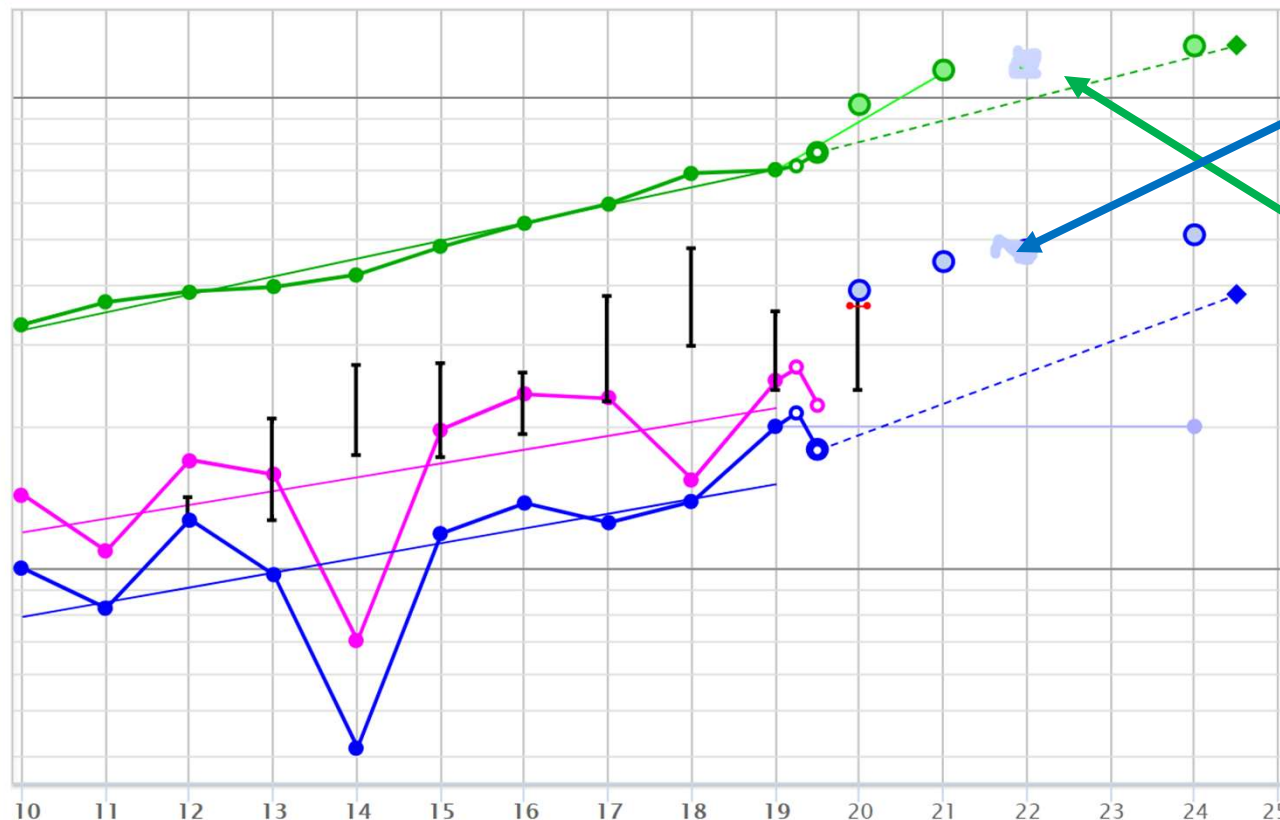
EPS Revisions	Current Qtr. (Sep 2020)	Next Qtr. (Dec 2020)	Current Year (2020)	Next Year (2021)
Up Last 7 Days	N/A	N/A	1	N/A
Up Last 30 Days	6	3	8	15
Down Last 7 Days	N/A	N/A	N/A	N/A
Down Last 30 Days	1	1	1	N/A



## Value Line as Second Opinion

- Value Line projections fit SSG Visual Analysis especially well (current and next FY), 3-5 year projection corresponds to last year on SSG

Company: AbbVie (ABBV) Study Name: ABBV 20200731 For GA Chap



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## Value Line as Second Opinion

- 5-Yr. Growth Using VL
- Formula:  
 $(45800/61000)^{.25-1} = 7.4\%$

CAGR Calculator

Standard CAGR | Exact Dates | Calculate Future Value

Currency: \$ € £ ₹ ¥

Starting value: \$ 45800

Ending value: \$ 61000

Years: 4 Months: 0 Days: 0

Calculate

Annual Growth Rate

**7.43%**

Assuming your investment grows from \$45,800.00 to \$61,000.00 in 4 years.

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- Google "CAGR Calculator" Today:  
<https://www.thecalculatorsite.com/finance/calculators/cagr-calculator.php>





## Value Line as Second Opinion

- Pretax Profit Margin Using VL
- Formula: Net Profit Margin / (1-Tax Rate)

$$32.8 / (1 - .13) = 32.8 / .87 = 37.7\%$$

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## Value Line as Second Opinion

- Average P/E ratio using VL
- Consider 25% higher for high P/E
- And 25% lower for low P/E

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.47			Relative P/E Ratio	<b>.65</b>
5.5%			Avg Ann'l Div'd Yield	<b>3.6%</b>
33266	<b>45800</b>	<b>54000</b>	Sales (\$mill)	<b>61000</b>
48.7%	<b>45.0%</b>	<b>45.0%</b>	Operating Margin	<b>46.0%</b>
464.0	<b>460</b>	<b>470</b>	Depreciation (\$mill)	<b>500</b>
13324	<b>15240</b>	<b>17460</b>	Net Profit (\$mill)	<b>19980</b>
8.6%	<b>10.0%</b>	<b>11.0%</b>	Income Tax Rate	<b>13.0%</b>
40.1%	<b>33.3%</b>	<b>32.3%</b>	Net Profit Margin	<b>32.8%</b>



## Morningstar as Second Opinion

- Growth projection (if any) usually found in section of Analyst Report discussing Value (9.7% over 5 yrs. here)

Morningstar Equity Analyst Report Page 3 of 13

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**Booking Holdings Inc** BKNG (XNAS)

Morningstar Rating	Last Price	Fair Value Estimate	Price/Fair Value	Trailing Dividend Yield %	Forward Dividend Yield %	Market Cap (Bil)	Industry	Stewardship
★★★★ 28 Feb 2019 20:39, UTC	1,696.88 USD 28 Feb 2019	2270.00 USD 28 Feb 2019 20:37, UTC	0.75	— 28 Feb 2019	0.00 28 Feb 2019	85.79 28 Feb 2019	Leisure	Exemplary

That said, we expect the market to support some level of increased competition over the next several years, and we currently see Booking as having the strongest network. The travel booking market remains large at \$1.6 trillion, and online penetration of the travel market remains low at around 45%.

**Fair Value & Profit Drivers**

Dan Wasiolek, Sr. Eq. Analyst, 28 February 2019

After reviewing Booking's 2018 results, we have decreased our fair value estimate to \$2,270 per share from \$2,300, to account for macroeconomic pressure in Europe during 2019. We now model 2019 revenue and bookings growth each at 7% versus 10% and 11% prior, respectively.

Our fair value estimate implies 2019 non-GAAP earnings multiple of 22.5 times. The key drivers of our financial model are agency and merchant booking growth and online and offline advertising expense.

We model a 9.7% average annual revenue growth over the next five years. We forecast merchant revenue to average 11.1% annually the next five years with agency sales growth averaging 9.0% over that time. Merchant is benefiting from increased alternative accommodation demand, while agency is hindered by near-term pullback. Growth in the travel bookings market remains diversified equity portfolio supported by Booking's average sensitivity to the economic cycle, low financial leverage, and high operating leverage.

**Risk & Uncertainty**

Dan Wasiolek, Sr. Eq. Analyst, 28 February 2019

Booking derives most of its revenue from international markets, exposing it to exchange-rate fluctuations that are often near-term yet can meaningfully affect sales and profitability.

We estimate that Booking gets around 10% of its total bookings from the U.K., which exposes it to a weakening in the British pound or economy that might result from Brexit.

Rate-parity clauses prevent hoteliers from offering cheaper rates on their websites than are offered on the OTA websites. Full removal of rate parity would create a competitive environment, but we would view any margin impact as near-term, as hotels' ability to offer promotions to their loyalty members or competitive distribution platforms can also be matched by the major OTAs' loyalty programs, in our view, and we believe hotel operators will be careful with promotions, so as not to drive lower pricing and potential brand destruction.

Subscription-based site



## Morningstar as Second Opinion

- Operation margin is also often found in section of Analyst Report discussing value

Morningstar Equity Analyst Report Page 3 of 13

### Booking Holdings Inc BKNG (XNAS)

Morningstar Rating	Last Price	Fair Value Estimate	Price/Fair Value	Trailing Dividend Yield %	Forward Dividend Yield %	Market Cap (Bil)	Industry
★★★★ 28 Feb 2019 20:38, UTC	1,696.88 USD 28 Feb 2019	2270.00 USD 28 Feb 2019 20:37, UTC	0.75	— 28 Feb 2019	0.00 28 Feb 2019	85.79 28 Feb 2019	Leisure

That said, we expect the market to support some level of increased competition over the next several years, and we currently see Booking as having the strongest network. The travel booking market remains large at \$1.6 trillion, and online penetration of the travel market remains low at around 45%.

**Fair Value & Profit Drivers**

Dan Wasiolek, Sr. Eq. Analyst, 28 February 2019

After reviewing Booking's 2018 results, we have

expense through 2020, as Booking continues to invest in alternative accommodations and emerging markets.

We expect operating margins expanding to 41% in 2028 from 37% in 2018.

diversified equity average sensitivity leverage, and high

**Risk & Uncertain**

Dan Wasiolek, Sr. Eq. Analyst, 28 February 2019

Booking derives m markets, exposing it are often near-term profitability.

Additionally, terrorist disruption in book innovation tax credit who the tax credit

- As defined by Morningstar (but not all sources) similar to BI Pre-tax profit margin for companies without a lot of interest expense

Subscription-based site





# Stock Investing Made Easy

# www.ManifestInvesting.com

The screenshot shows the Manifest Investing website interface. The navigation bar includes 'Manifest Investing', 'Publications', 'Research', 'Stocksearch', 'Dashboards', 'Forum', 'Events', 'Search', and 'Help'. The main content area is divided into 'Featured Posts' and a right-hand sidebar. Three callout boxes highlight specific features: 'Company and Fund reports' points to a post about Exxon Mobil; 'Screening with Quality and Projected Returns' points to a post about Bull Sessions; and 'Portfolio Management' points to the 'Published Dashboards' section.

**Company and Fund reports**

**Screening with Quality and Projected Returns**

**Portfolio Management**

**Featured Posts**

- This Week at MANIFEST (8/28/2020)**  
It's like a week off after a week off with the oil patch checking in. Only Exxon Mobil is among the Manifest 40 and there are no Round Table stocks in this week's update batch. We'll persist with Tuesday's Bull Session and Tuesday evening's August Round Table.
- Bull Sessions (8/25/2020)**  
Session #8. Speedier than the vaunted Pony Express, we'll take a shot at answering your questions and topics you'd like to explore during the next Bull Session. Send any questions or suggestions to markr@manifestinvesting.com
- Investing Round Table (August 2020)**  
Tuesday evening (8/25). Same knight time (8:30 PM ET). Same knight channel. The tracking portfolio persists with a 17.5% rate of return since July 2010.
- This Week at MANIFEST (8/14/2020)**  
I hadn't noticed that the Tesla logo could be seen as a bull image. This week (and next) we continue our Bull Session discussions about early stage company analysis featuring the likes of Tesla and Amazon. The last two weeks of batch updates include a number of community favorites and a "healing" trend is taking shape.
- Bull Sessions (8/18/2020)**  
Session #7. Space Jam? Join us as we explore and discuss an alternative analysis method that can help to discover early stage investing opportunities like Amazon and Tesla. I suspect that the results will rhyme with Neogen.
- This Week at MANIFEST (8/21/2020)**  
Raise your hand if you've ever heard of a Derecho (before last week). This week's update includes a bunch of Derecho stocks from the airlines and restaurant industries including many community favorites. It's also that time of year when I switch my office view to a Burt Lake (Michigan) vista and recharge batteries.

**Right Sidebar:**

- MIPAR** 8.2%
- Sweet Spot** 13.2% - 18.2%
- Symbol or name ...**  **Go**
- Upcoming Events**
  - Bull Sessions (8/25/2020)  
Tue, Aug 25 - Online
  - Investing Round Table (August 2020)  
Tue, Aug 25 - Online
- Published Dashboards**
  - Manifest 40
  - Round Table
  - Groundhog 2020
  - Solomon's Select
  - Tin Cup
  - ETF Sector GPS
  - More ...

Subscription data and education website  
30-day free trial; \$9/month or \$40/year



## Manifest Investing – Stock Studies

Abbvie (ABBV)

Equity Analysis Guide

Company	Ticker	Sector   Industry	Quality	PAR
Abbvie	ABBV	Healthcare   Drug Manufacturers (Major)	87	14.6%
Current Price (08/21)				\$94.86
CAPS Rating (Rate this stock on CAPS)				★★★★★
<b>Expected Income Statement</b>				
Current Sales				36,227.0
Sales Growth Forecast				12.2%
Net Profit Margin				30.6%
Projected Shares Outstanding				1,480.00
EPS - Five year Forecast				\$13.35
Average P/E Ratio				12.0
Projected Average Price				\$160.18
Price Appreciation (Annualized)				11.0%
Annual Dividend Yield				3.6%
Projected Annual Return				14.6%
<b>Quality</b>				
Financial Strength			93	23.3
EPS Stability			90	22.5
Industry Sales Growth Rate			8.0%	19.1
Industry Net Profit Margin			22.5%	17.0
Quality Penalty <sup>Ⓢ</sup>				-15.0
Calculated Quality Rating				66.9



“Preferred Procedure”

Sections 4 & 5;  
“Valuation & Return”





# Stock Investing Made Easy

## Connecting Manifest Investing to the SSG

**Determine EPS 5 Year Forecast**

Select 5 Year Forecast EPS Growth Rate:

Projection Starting Point: QUARTER [EPS = 4.70, Sales = 36,227]

Your EPS Growth Rate Forecast:  %      5 Year Estimate: 10.04  
 Analyst Estimate:  %  
 Preferred Procedure Growth Calculation:  %      5 Year Estimate: 10.04

**Preferred Procedure Calculation**

	Defaults	Judgments	Result
Projected 5 Year Sales Growth Rate (Your Forecast):	11.0%	<input type="text" value="11"/>	61,045
Less Expenses (5 Yr Avg % Pre-Tax Profit Margin):	25.7%	<input type="text" value="28"/>	-43,952
Less Taxes (Last Yr. Tax Rate):	6.5%	<input type="text" value="13"/>	-2,222
Less Preferred Dividends (Current Pref'd Div):	0.0	<input type="text" value="0.0"/>	0
Projected 5 Yr Total Earnings:			14,871
Divided by Shares Outs. (Current Dil. Shares(M)):	1,647.0	<input type="text" value="1,480.0"/>	10.05
5 Year Compound Annual EPS Growth Rate:			16.4%

**Historical Data**

Year	Sales
2010	15,638
2011	17,444
2012	18,380
2013	18,790
2014	19,960
2015	22,859
2016	25,638
2017	28,216
2018	32,753
2019	33,266
-----	
2020 Q1	34,057
2020 Q2	36,227

**Preferred Procedure**

“Preferred Procedure”



# Stock Investing Made Easy

## Connecting Manifest Investing to the SSG

### 4. EVALUATING RISK and REWARD over the next 5 years

#### A. HIGH PRICE - NEXT 5 YEARS

Avg. High P/E: 22.2 Estimate High Earnings / Share: 10.04 = Forecasted High Price: 223.0

#### B. LOW PRICE - NEXT 5 YEARS

(a) Avg. Low P/E: 14.3 X Estimate Low Earnings/Share 4.70 = Forecasted Low Price: 67.2

(b) Avg. Low Price of Last 5 Years: 59.2

(c) Recent Market Low Price: 62.5

2018 Low Stock Price: 77.7

52 Week Low Stock Price: 62.5

2019 Low Stock Price: 62.7

(d) Price Dividend Will Support:  $\frac{\text{Indicated Dividend}}{\text{High Yield}} = \frac{4.72}{6.8\%} = 69.1$

Selected Forecasted Low Price: 67.2

#### C. ZONING using 25%-50%-25% (click to toggle)

Forecasted High Price: 223.0 Minus Forecast Low Price: 67.2 = 155.8 Range. 25% of Range: 38.9

Buy Zone: 67.2 to 106.1

Hold Zone: 106.1 to 184.0

Sell Zone: 184.0 to 223.0

Closing Stock Price of 94.91 is in the BUY Zone.

Show / Hide Gain vs Loss Chart

#### D. UPSIDE DOWNSIDE RATIO (POTENTIAL GAIN VS. RISK OR LOSS)

$\frac{\text{Forecasted High Price} - \text{Closing Price}}{\text{Closing Price} - \text{Forecasted Low Price}} = \frac{(223.0 - 94.91)}{(94.91 - 67.2)} = \frac{128.04}{27.71} = 4.6 \text{ To } 1$

#### E. PRICE TARGET (Note: This shows the potential market price appreciation over the next five years in simple interest terms.)

$\frac{\text{Forecasted High Price}}{\text{Closing Price}} = \frac{223.0}{94.91} = (2.3491 \times 100) = (234.91 - 100) = 134.9\% \text{ Appreciation}$

#### Evaluating Risk At A Glance

Zone: **BUY**  
 Forecasted High Price: 223.0  
 Forecasted Low Price: 67.2  
 Closing Price (07/31/20): 94.91  
 Upside Downside Ratio: 4.6 To 1  
 Potential Price Appreciation: 134.9%

### 5. FIVE-YEAR POTENTIAL

#### A. CURRENT YIELD

$\frac{\text{Indicated Annual Dividend}}{\text{Closing Price}} = \frac{4.72}{94.91} = 0.0497 = 5.0\%$

#### B. AVERAGE YIELD - USING FORECAST HIGH P/E

$\frac{\text{Avg. \% Payout}}{\text{Forecast High P/E}} = \frac{65}{22.2} = 2.9\%$

#### AVERAGE YIELD - USING FORECAST AVERAGE P/E

$\frac{\text{Avg. \% Payout}}{\text{Forecast Average P/E}} = \frac{65}{18.25} = 3.6\%$

#### C. COMPOUND ANNUAL RETURN - USING FORECAST HIGH P/E

Annualized Price Appreciation 18.6%  
 Average Yield 2.9%  
 Annualized Rate of Return 21.6%

#### COMPOUND ANNUAL RETURN - USING FORECAST AVERAGE P/E

Annualized Price Appreciation 14.1%  
 Average Yield 3.6%  
 Annualized Rate of Return 17.6%

#### SSG Results Summary

Zone: **BUY**  
 Upside Downside Ratio: 4.6 To 1  
 Total Return (High P/E): 21.6%  
 Projected Return (Avg P/E): 17.6%  
 Buy price to satisfy US/DS of 3 to 1 and 15% total return: 106.1  
 Buy Below price based on zoning selection: 106.1  
 Closing Price (07/31/20): 94.91



## Manifest Investing as Second Opinion

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Equity Analysis Guide

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Calculated Quality Rating				66.9

Subscription-based site



# Bonus Time – No Extra Charge

## Portfolio-Centered Decision-Making

- Emphasizes portfolio characteristics with those of individual stocks secondary
- Lends focus and simplicity to portfolio management decisions
  - Impact on portfolio expected return
  - Impact on portfolio quality
- Helps take emotion out of selling

Is far from “new,” but rarely taught before now



# Bonus Time – No Extra Charge Portfolio-Centered Decision-Making

- Make buy/accumulate/sell decisions based on how they impact quality *of portfolio as a whole*
  - Diversification for example
  - But no BetterInvesting tool quantifies quality for easy tracking or comparison
  - Manifest Quality Ranking makes this easy



# Summary

- We've seen what the Preferred Procedure is
- Why it's really "preferred"
- How we can be more confident of our SSG judgments using outside datasources
  - Value Line
  - Morningstar
  - Finance Yahoo
  - Manifest Investing





## Stock Investing Made Easy

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# Pay it forward !



# Questions or Comments?

**celynych@att.net**  
*Cy Lynch*



# Upcoming Schedule

*May 20, 2021; 8:30 p.m. ET*

## *A Taste of BINC*

A plateful of tasty bits to whet your appetite for the main course in Dallas, Texas, October 21-24, 2021



**70<sup>th</sup> BINC**



[www.betterinvesting.org/events](http://www.betterinvesting.org/events)

