Interpreting the SSG

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Using the Visual Analysis to Improve Your Judgment

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BetterInvesting™ Empowering Investors Since 1951

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What Is Your Level of Understanding of the SSG?

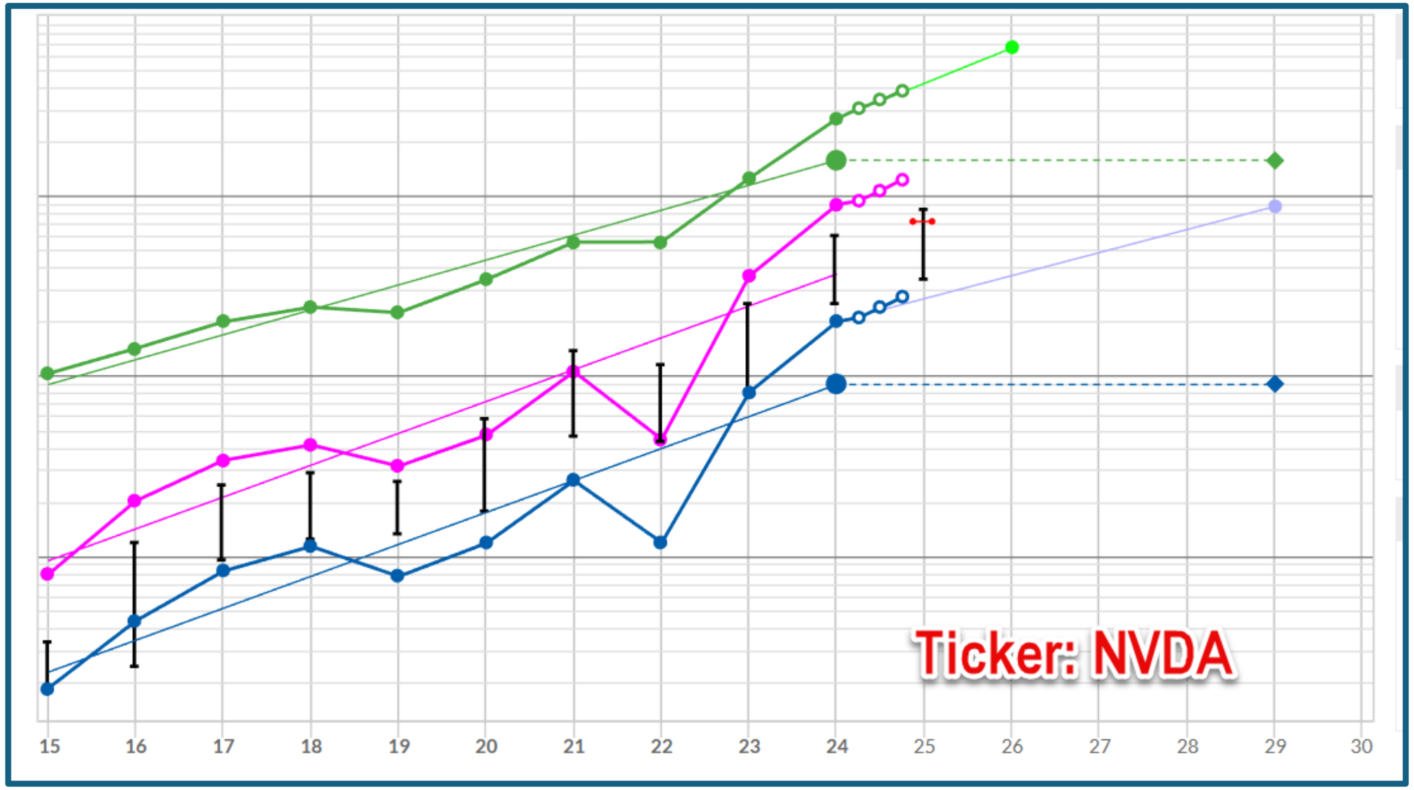
1. I **don't know anything** about this form. First I am hearing about the Stock Selection Guide (SSG). What's the purpose of it.
2. I **know the basics** of the SSG but I have little confidence in my skill. It is all a bunch of lines and numbers to me.
3. **I lack confidence in making my judgments** on the SSG even though I have taken classes or watched instructional videos
4. **Not always sure I am doing things correctly**. I can complete an SSG and I may have presented an SSG to my club but I still can get confused.
5. **I know I can do better**. I have completed several SSGs and have purchased a stock or two based on my judgments. More to learn.
6. **I got this.** I can teach the SSG and have taught it to others in my club or to a group of newcomers. I always complete a SSG before I purchase a stock. Show me something I don't know.

What We Will Discuss

1. BetterInvesting Concepts
2. The Role of Visual Analysis
3. Going Old School Has Its Benefits
4. Looking for Growth Between the Lines
5. The Road to Becoming a BetterInvestor
6. The Value Is In Plain Sight

Homework – A Challenge

1. BetterInvesting ™ Concepts



What's We Look For

What's Your Investment Direction?

Short-term (Less than a year)

Long-term (A year or longer)

Focus on stock price movement

Focus on company performance

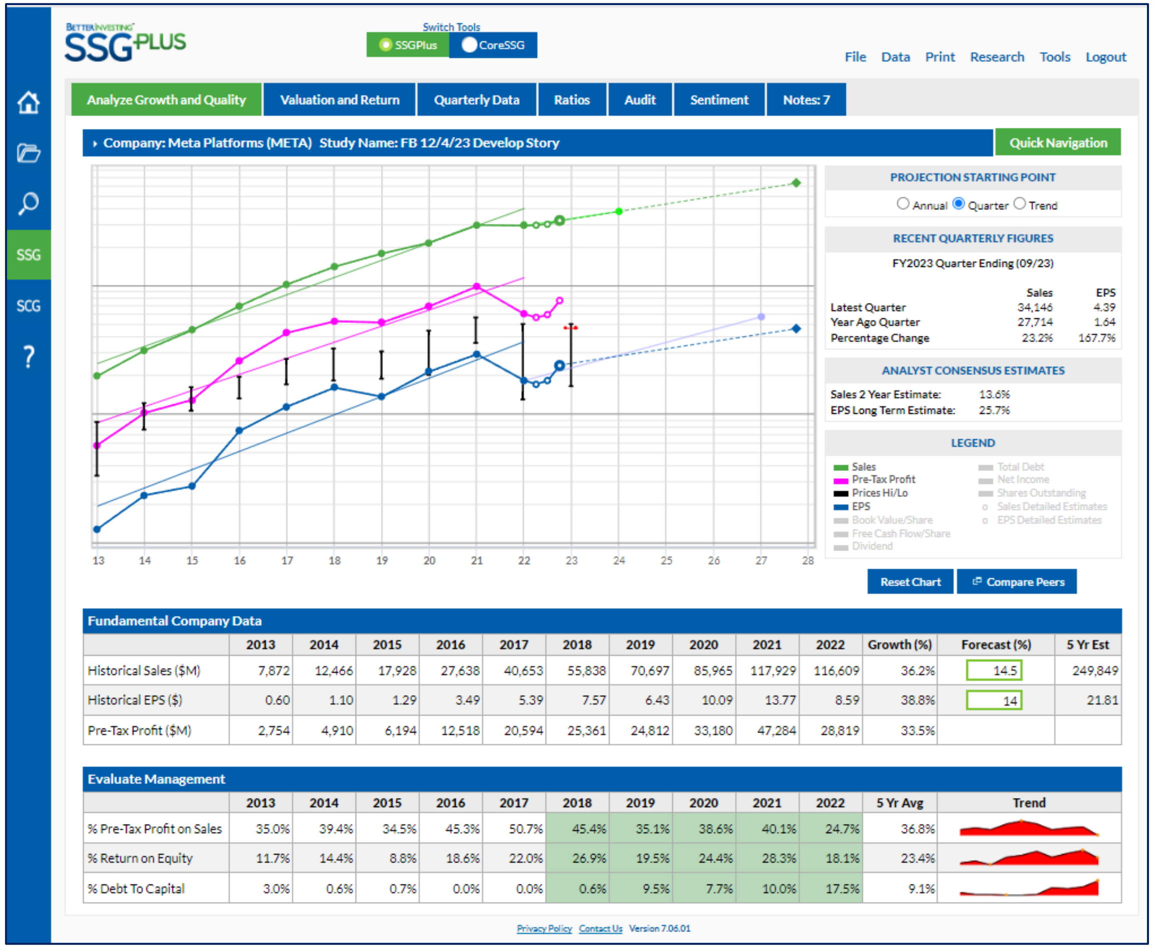
Better Investors Look for GARP Stocks

Image credit: Motley Fool, Dec 2025

- ***Growth stocks***
  - ***Growing faster than the total economy***
- ***Value stocks***
  - ***That are "on sale"***

Growth At a Reasonable Price (GARP)

BetterInvesting™ Stock Selection Guide®

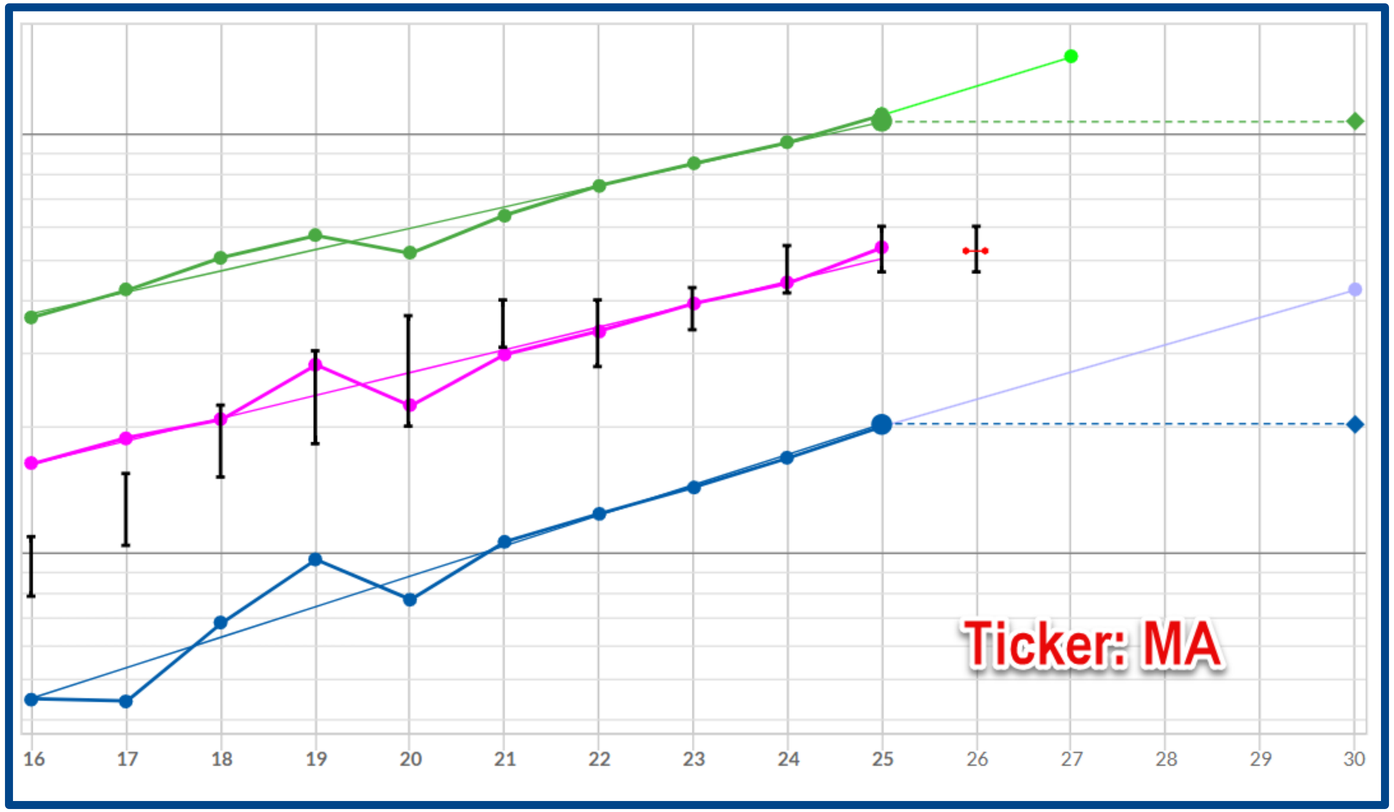


Organizes all the research you gathered to determine the answers to two key questions:

1) Is the company a quality growth stock?

2) Is it selling at a fair and reasonable value (price)?

2. The Role of Visual Analysis



What do the lines mean

Core BetterInvesting Beliefs

Sales Drives Earnings & Price Follows Earnings

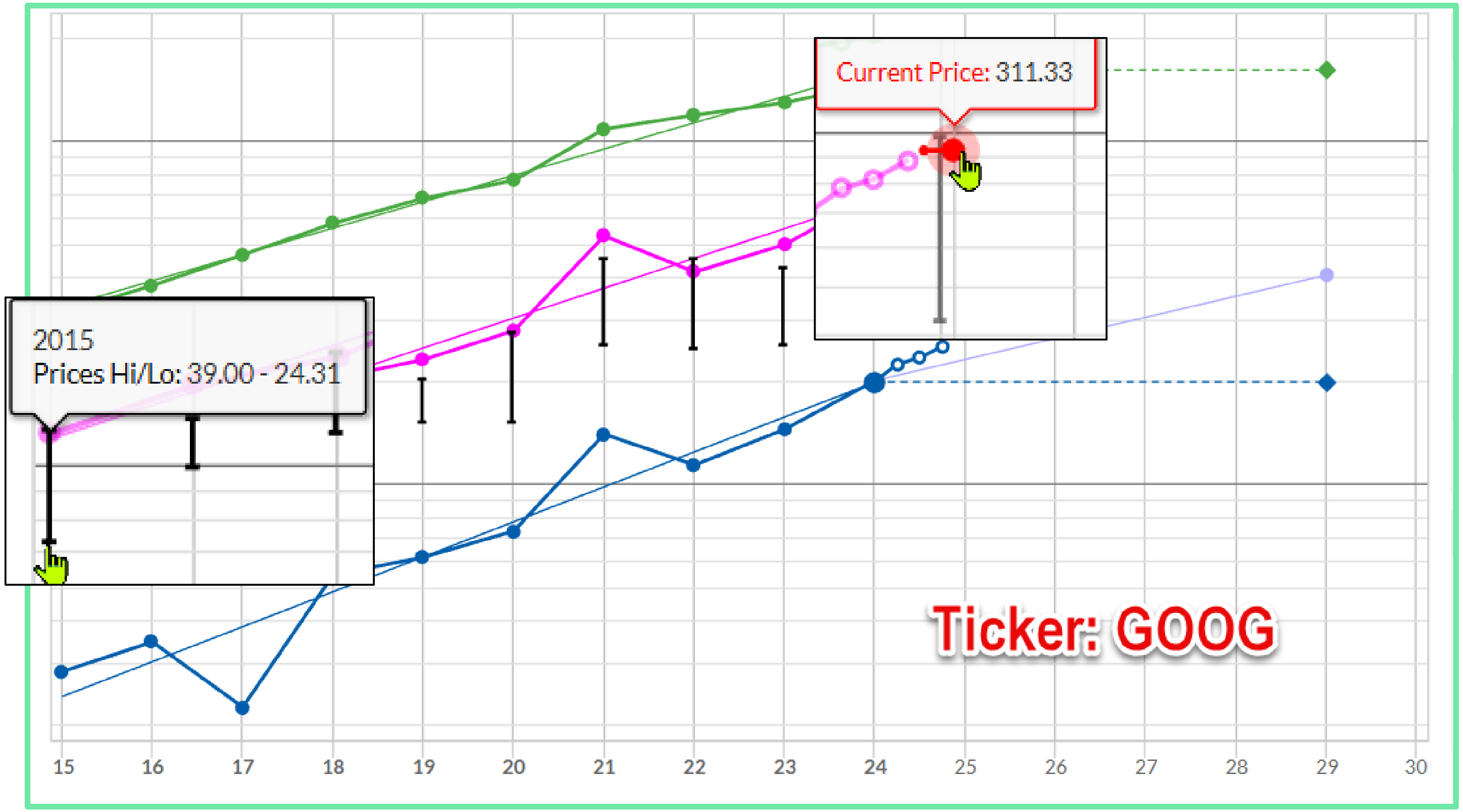
Growth Stocks: Sales & EPS Growth Rates are Greater Than the Total Economy (Rate of Inflation + GDP.) Look for ~ 7% per year

Up, Straight & Parallel?

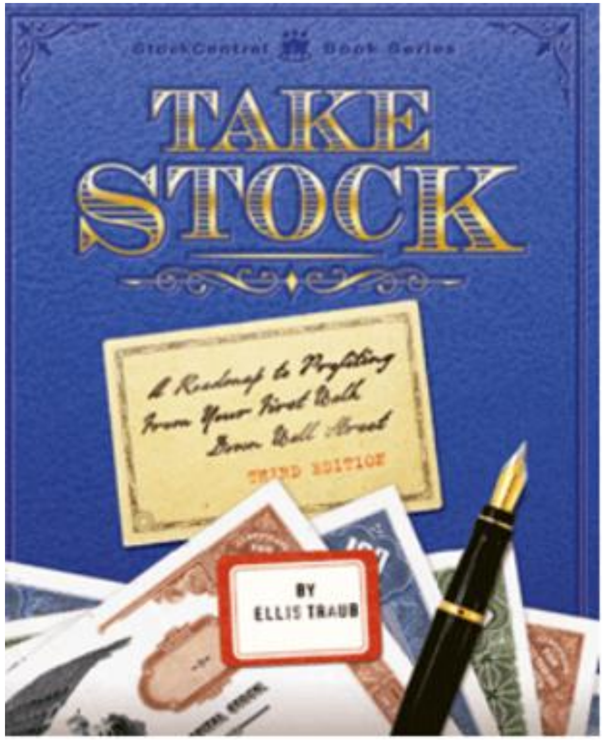
Up - Growing
Straight - Consistent
Parallel - Potentially Well-Managed

then…

Price Appreciation follows



If You Can Tell the Difference…



- ***"Between a straight and crooked line"***
- ***"Whether it slopes up or down"***

"You can tell nearly everything you need to know about a company's quality."

-- Take Stock, pg. 79

3. Going Old School Has Its Benefits

Develop Confidence In Your Judgments

If You Did a Stock Study In 1976...

- No Software or Internet
- No Investor Presentation
- Limited Coverage By Stock Analysts
- No Analyst Consensus Estimate (ACE)
- No Member Sentiment

How would you complete your judgments?

Historic Performance Gives Clues To Your Future Growth Estimates

Look at

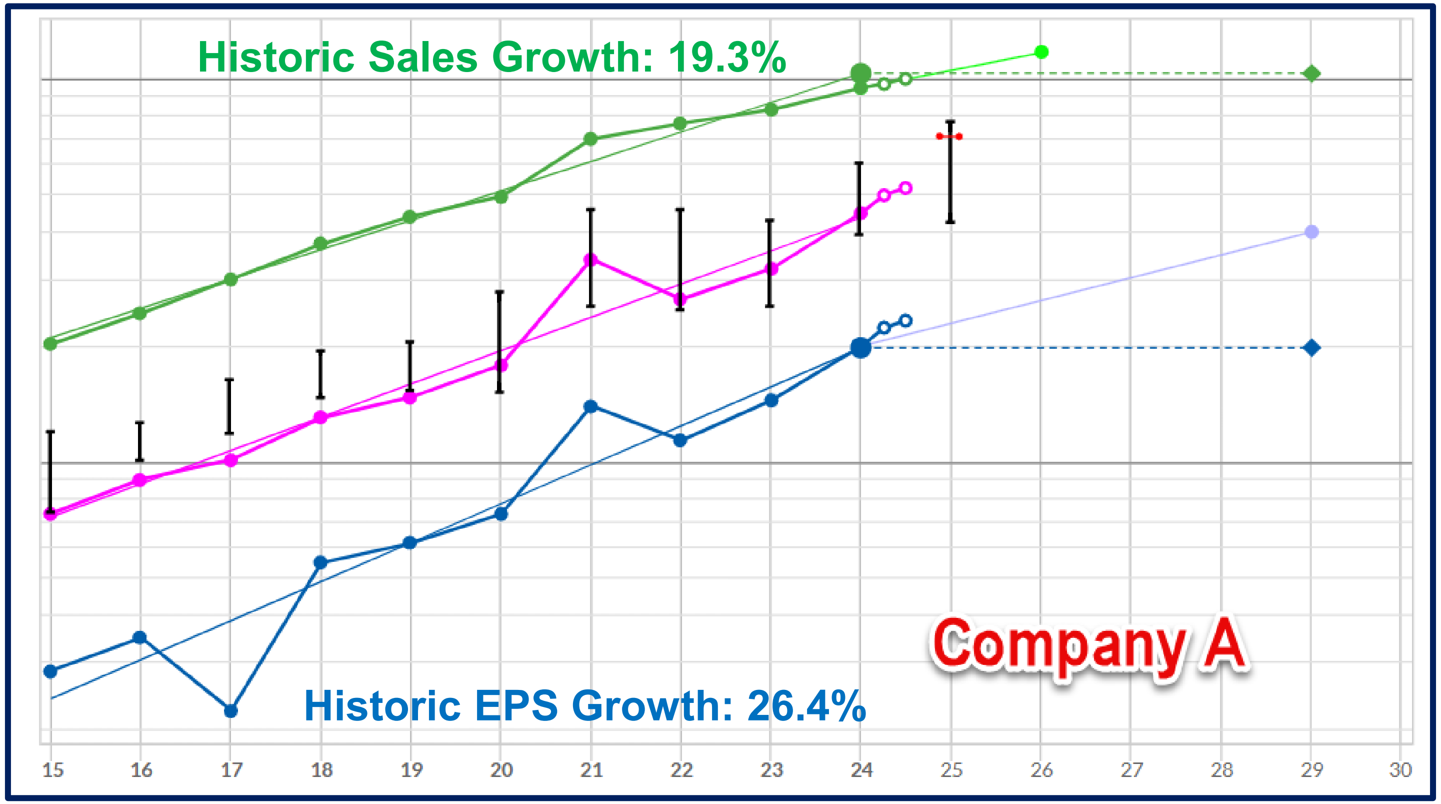
- 10-year performance
- 5-year performance
- 3-year performance

How do the three ranges compare?

- Are the rates of growth: similar, increasing, decreasing?
- Is growth more consistent as the time periods shorten?

Measuring **Strength of Growth**: **10 Years**

To measure the strength of growth, you will need a line that sums up the trend of growth over the period for which you have data.

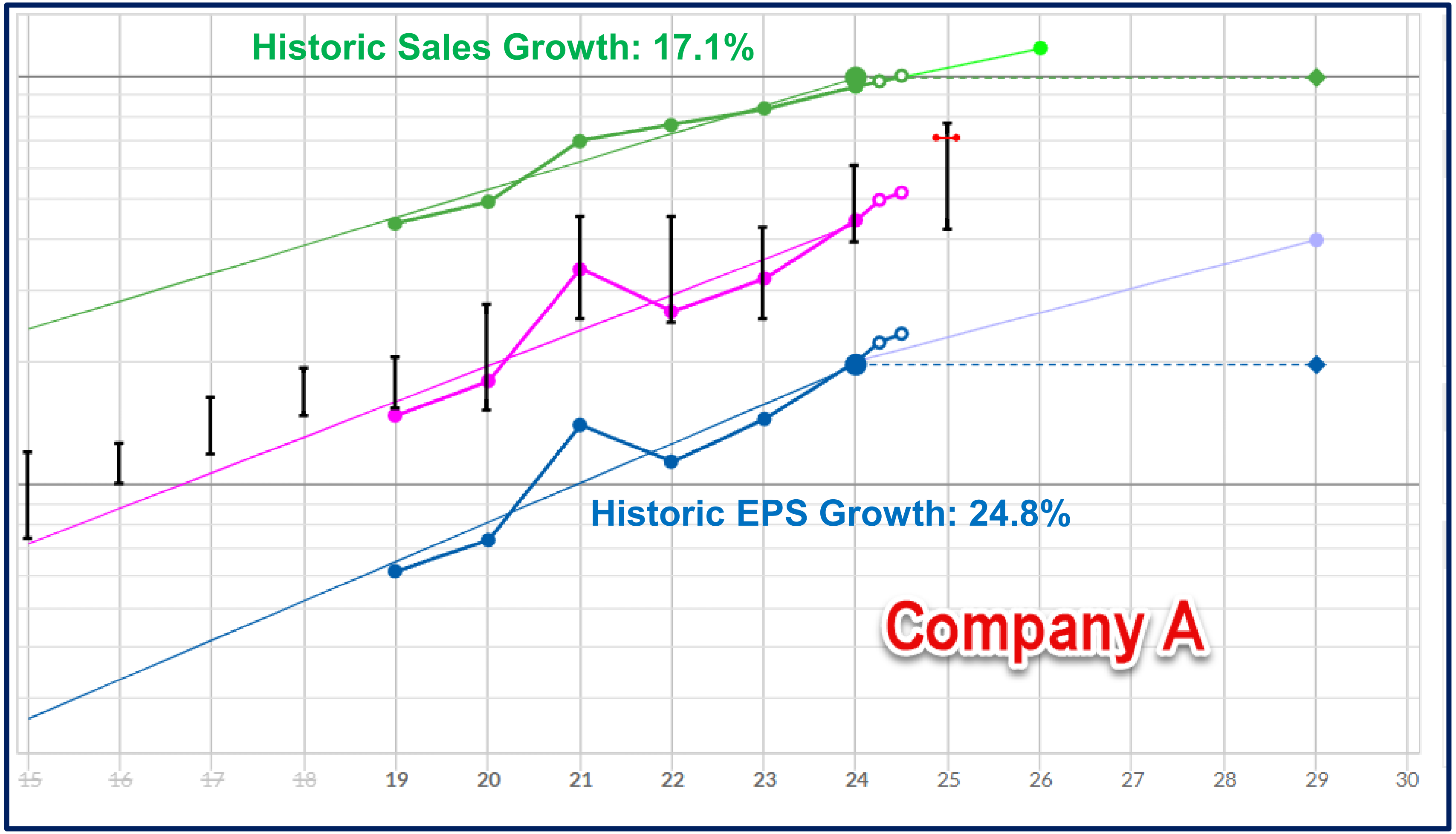


Measuring **Strength of Growth**: 5 Years

Delete the oldest 5 years:

How steady is the performance?

How confident are you in making future performance projections?

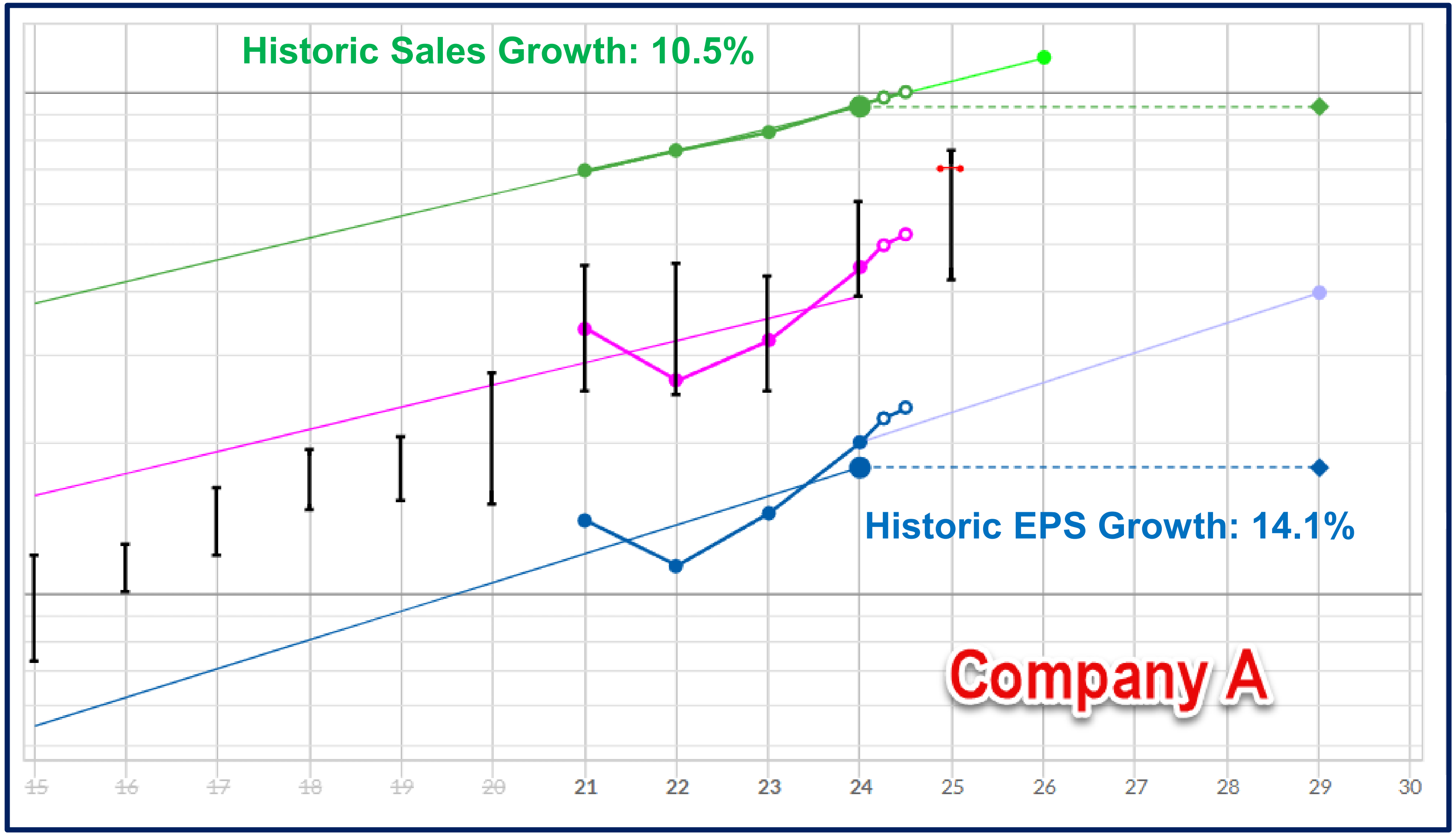


Measuring **Strength of Growth**: 3 Years

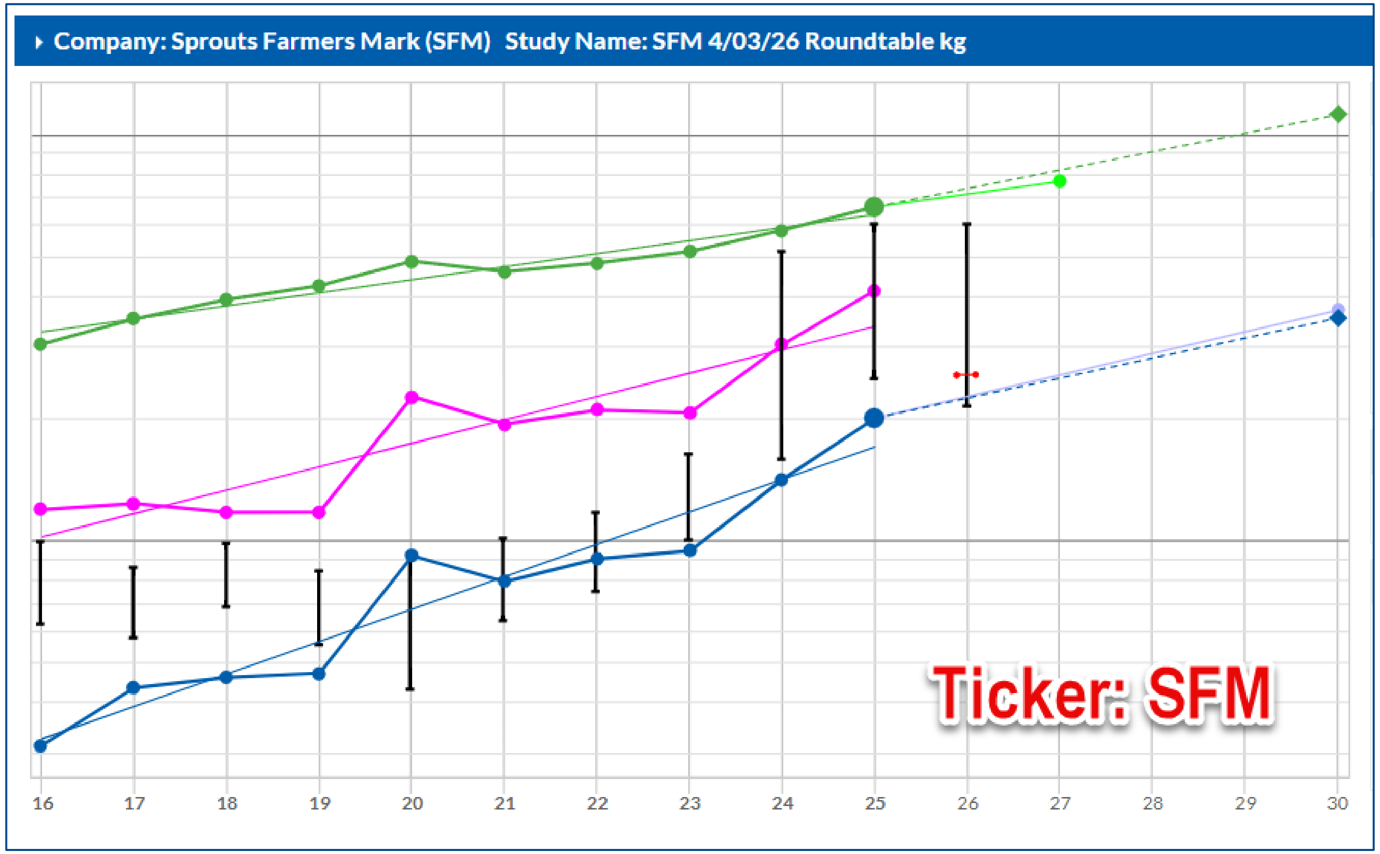
With a shorter time, does trend line touch more data points?

How is recent performance?

What does this say about the future?

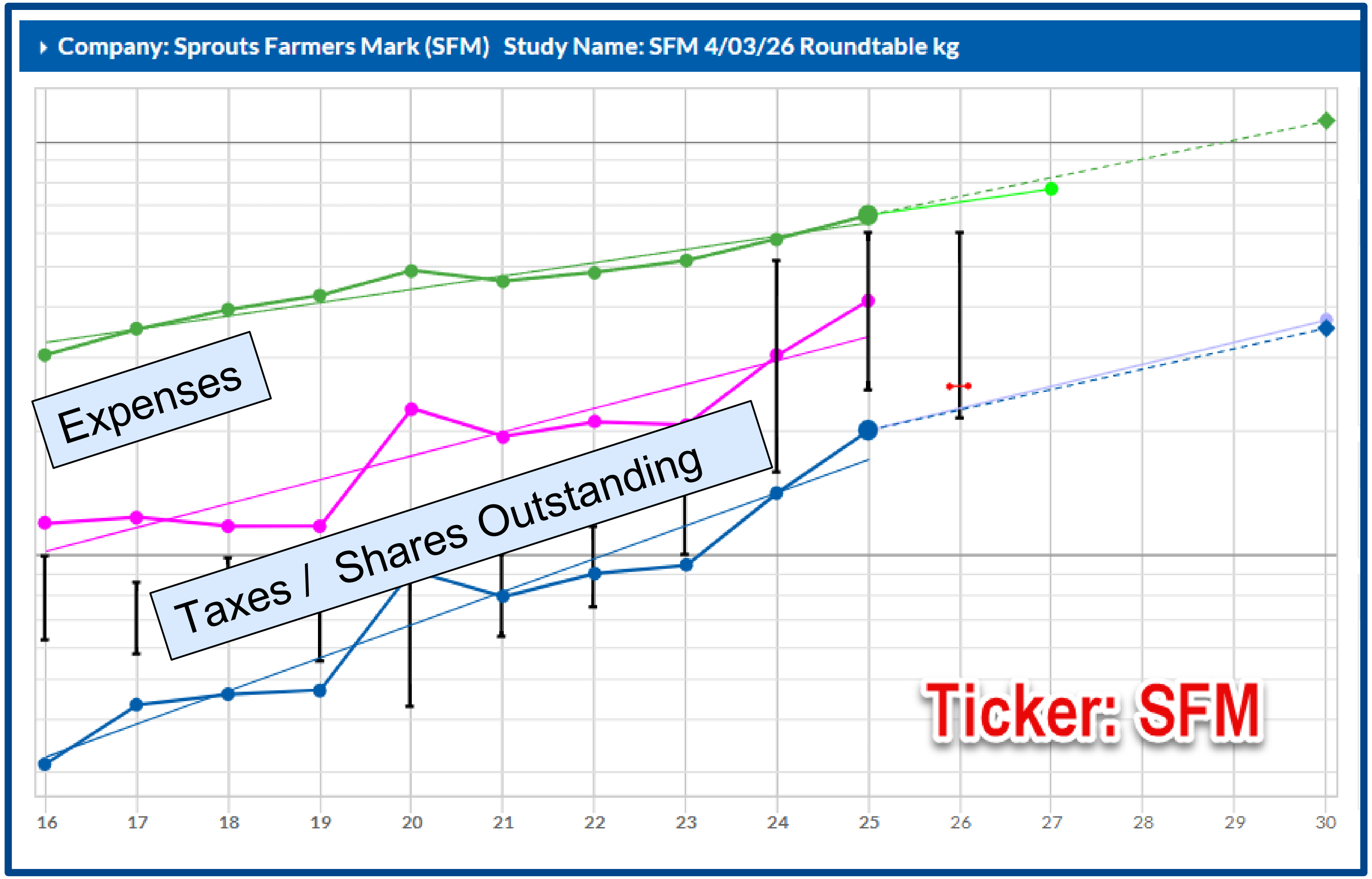


4. Looking for Growth Between the Lines



Use the Visual Analysis Correctly

10 Years of Income Statement & Stock Price Data



Sales

– Expenses

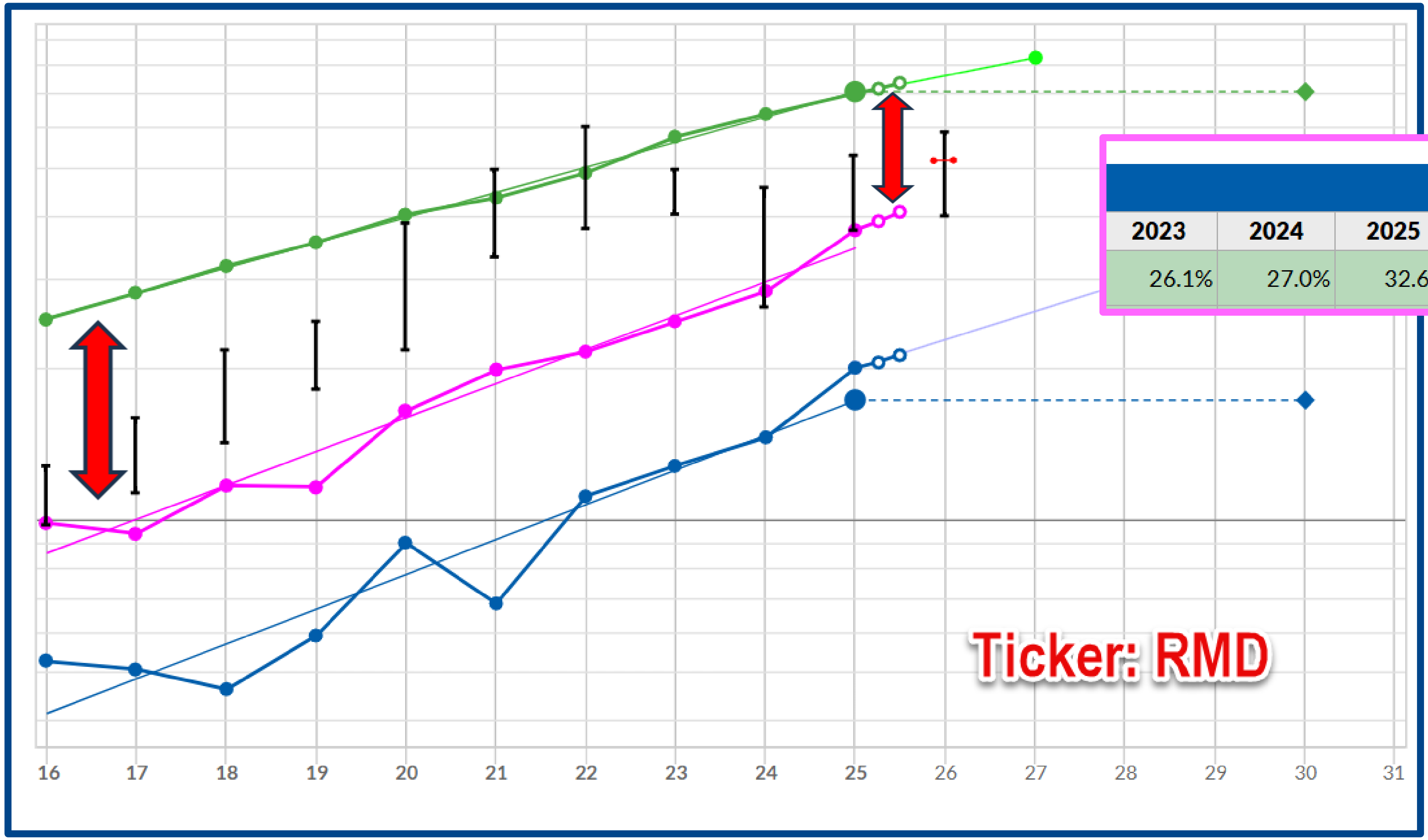
= Pre-Tax Profit

– Taxes

/ # Shares Outstanding

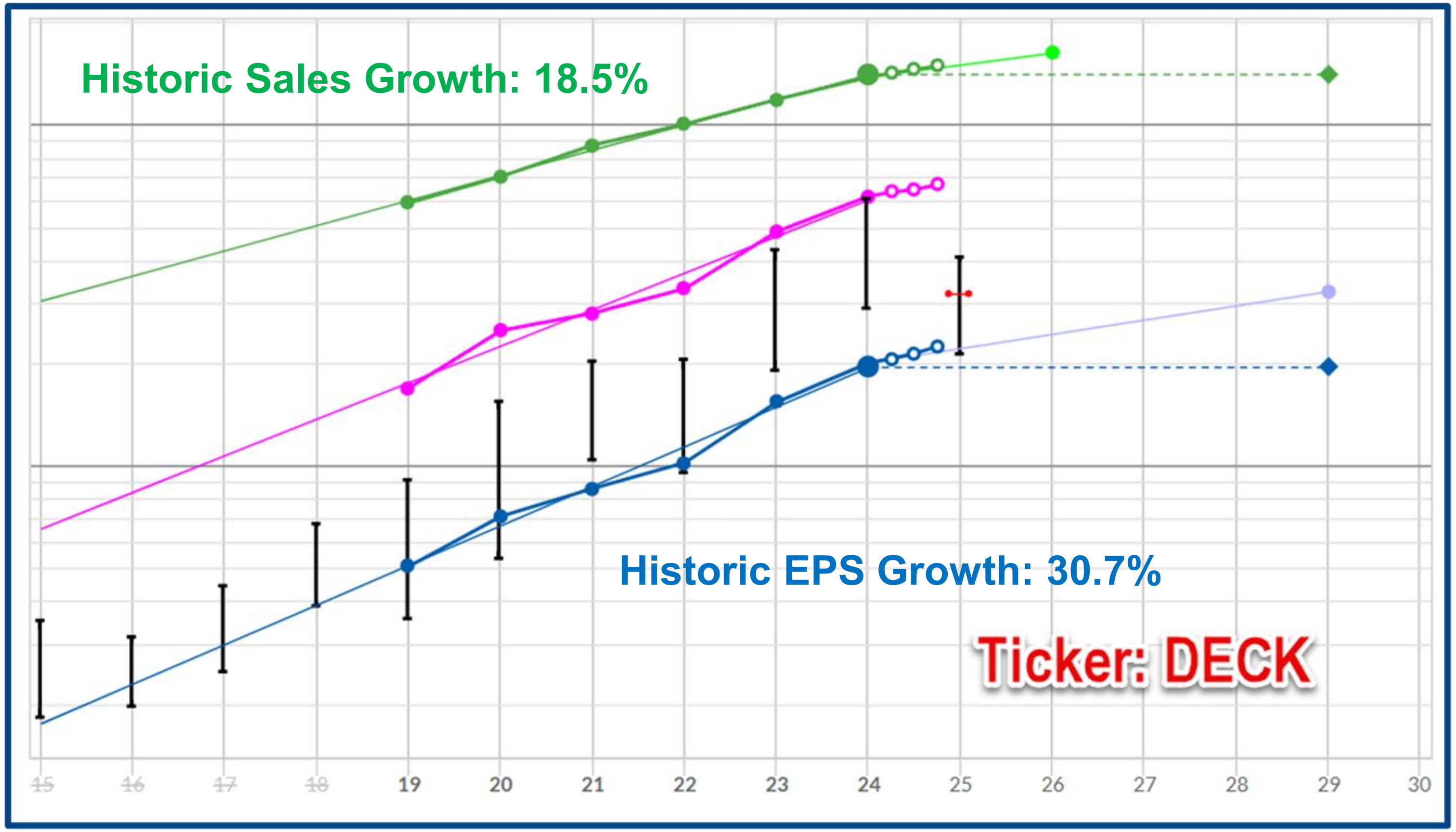
= Earnings Per Share

Are They Controlling Expenses?



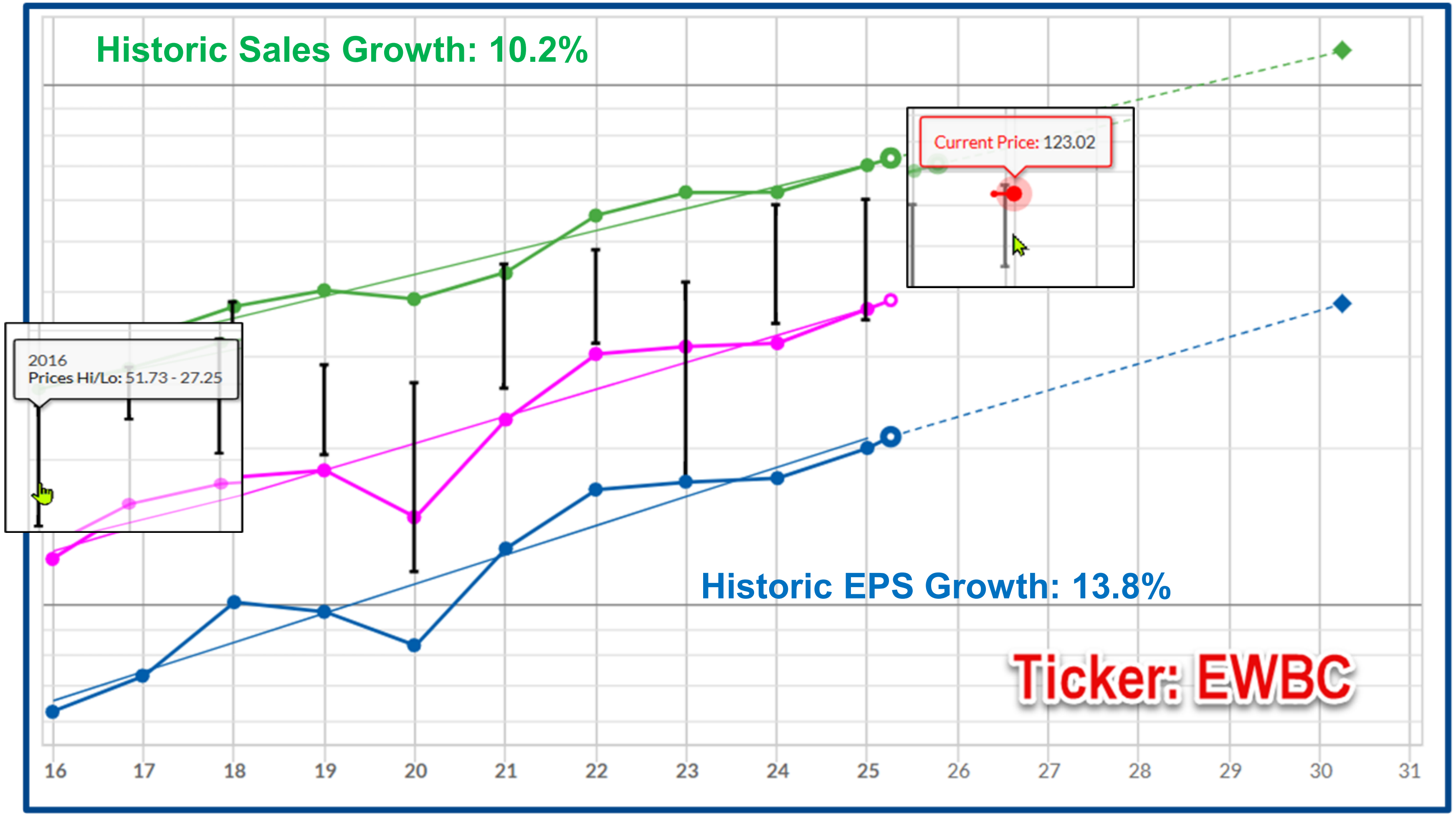
2023	2024	2025	5 Yr Avg	Trend
26.1%	27.0%	32.6%	28.0%	

Are EPS Growing Faster Than Sales?

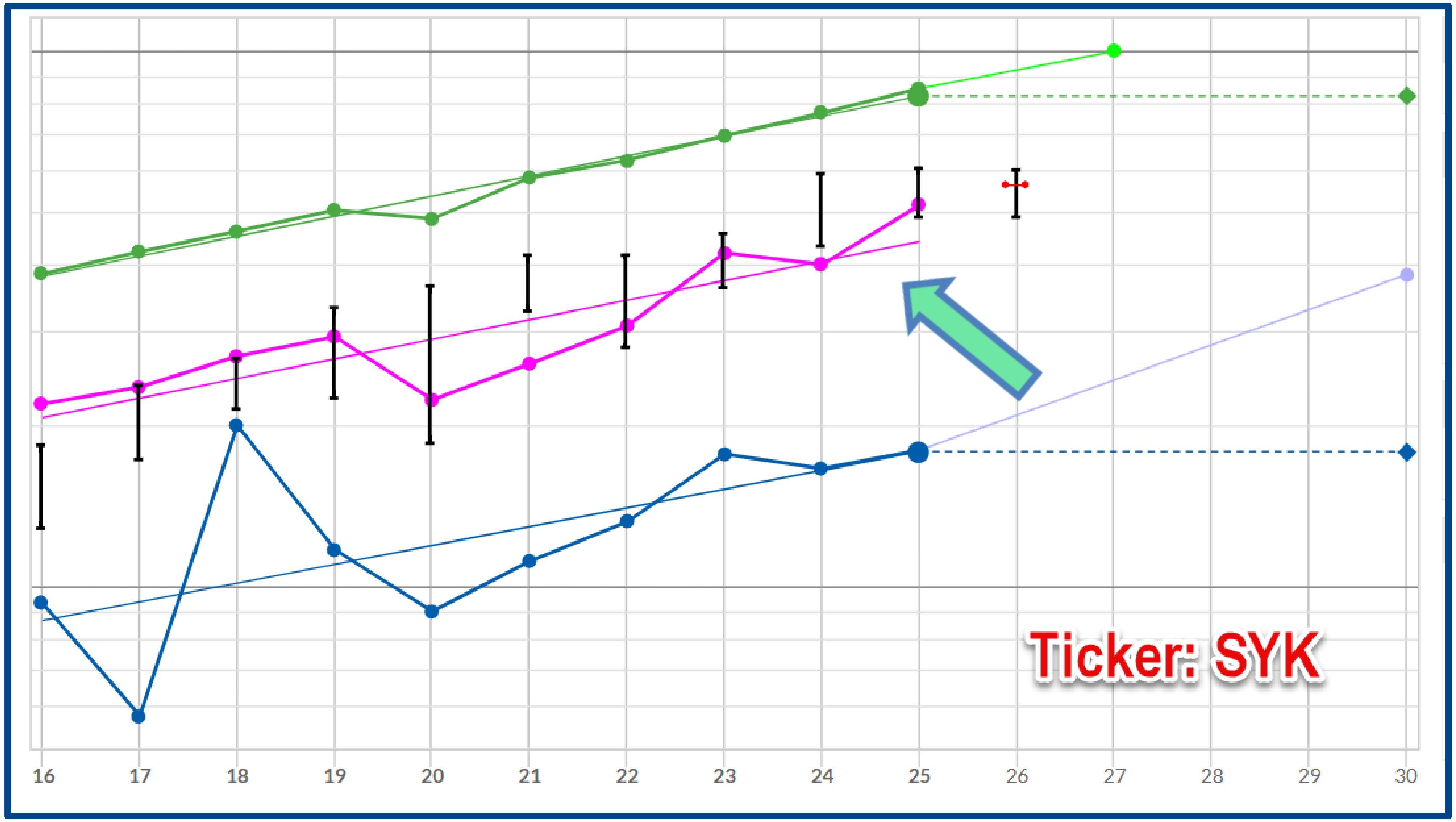


When the **Earnings line** moves closer to the **Sales line** you have an improving bottom line.
When the **Earnings line** moves away from the **Sales line** you have a declining bottom line.

Is Price Following Earnings?

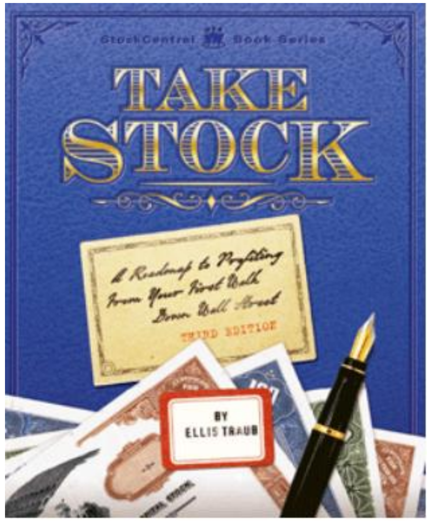


Pay Attention to the Trendline



5. The Road to Becoming a Better Investor

Many stock studies can have lines that will not always be up, straight and parallel we need to correct for that.



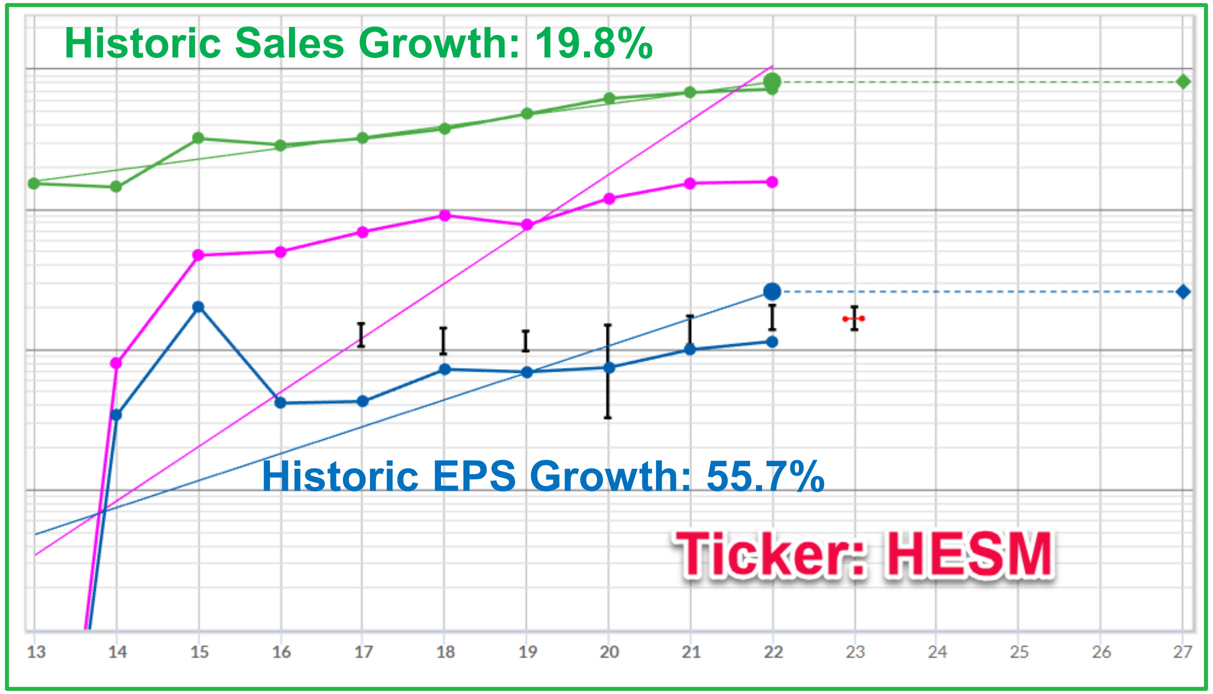
A: Measure the strength of the growth

B: Eliminate outliers

- **i. Spikes**
- **ii. Early Rapid Growth**

Measuring The Strength of the Growth

"To measure the strength of growth, you will need a line that sums up the trend of growth over the period for which you have data. The computer can do this for you, accurately **calculating the position of a trend line that lies as close as possible to all of the points it's intended to describe.**" (emphasis added)
Take Stock, pg. 92

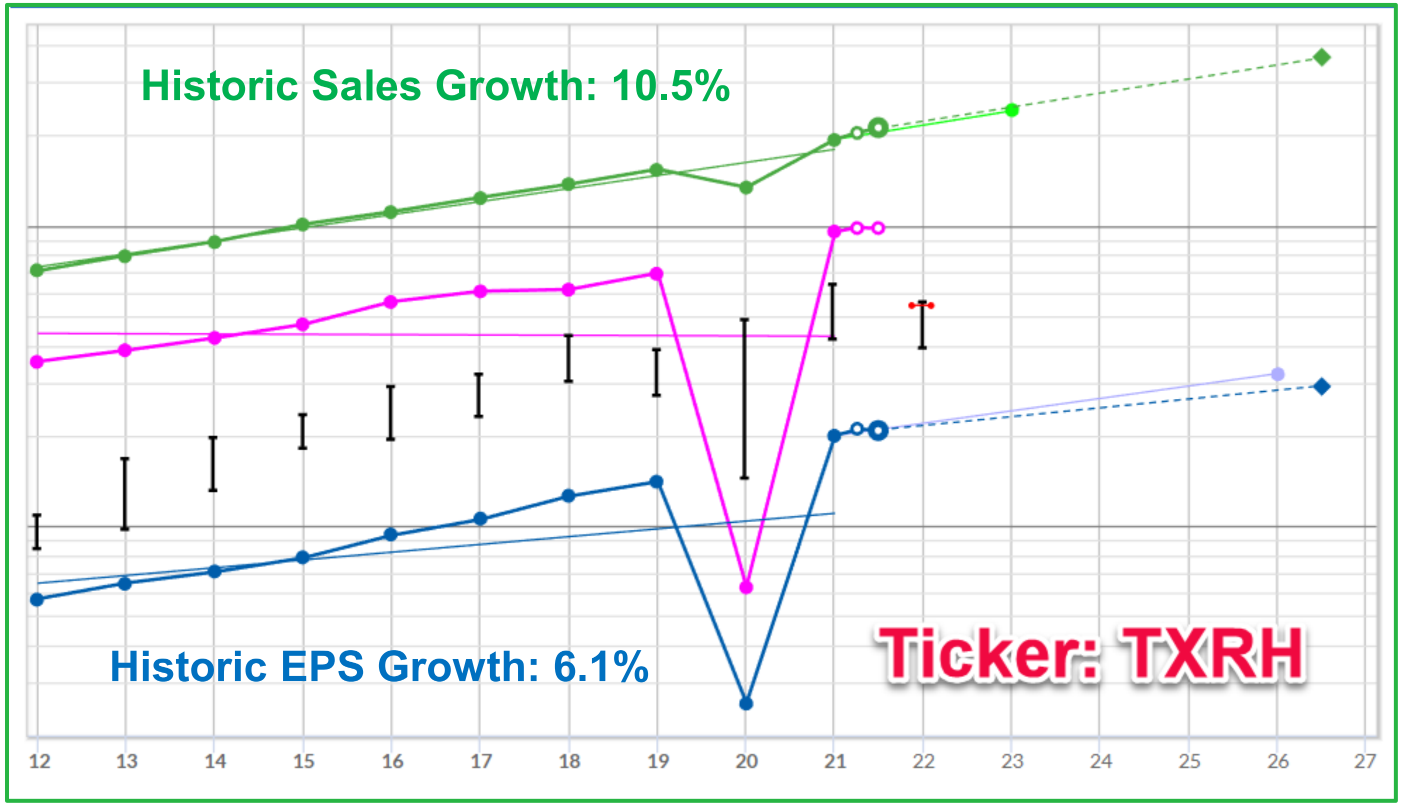


Annual Sales trendline touches 8 of the 10 years; Annual EPS trendline touches 1 of 10 years. The sales trendline will be more reliable than the EPS trendline.

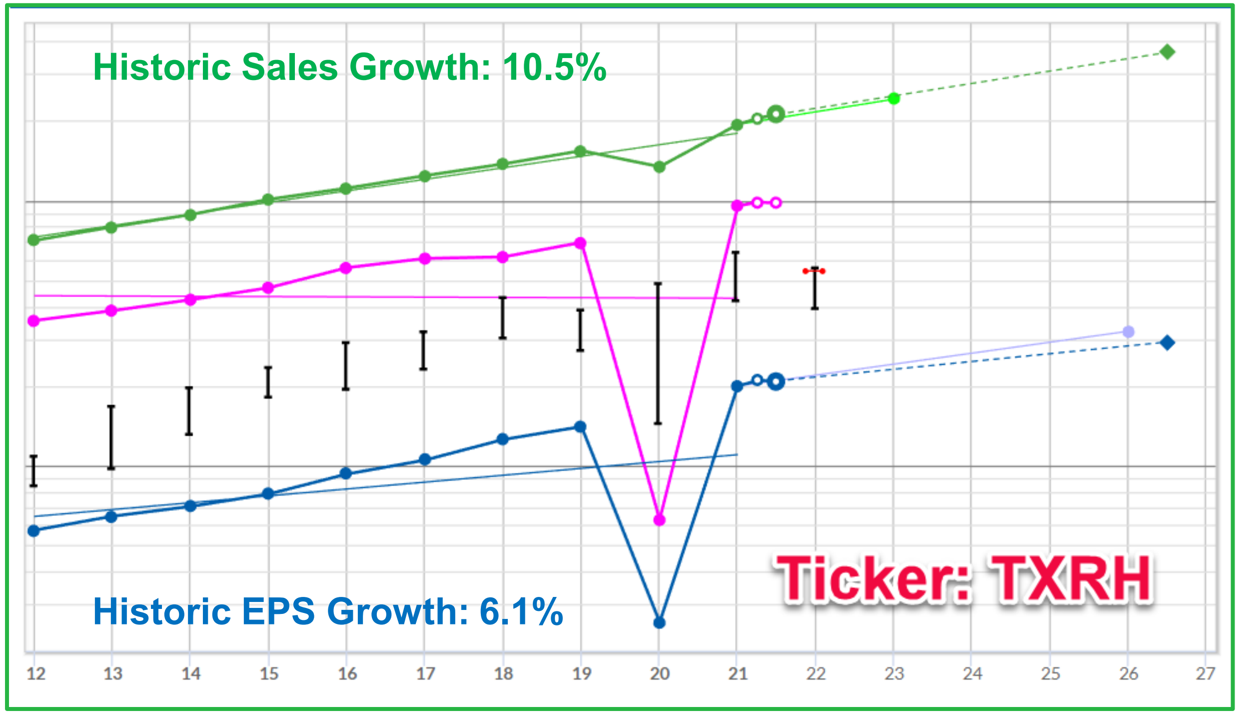
Eliminating Outliers

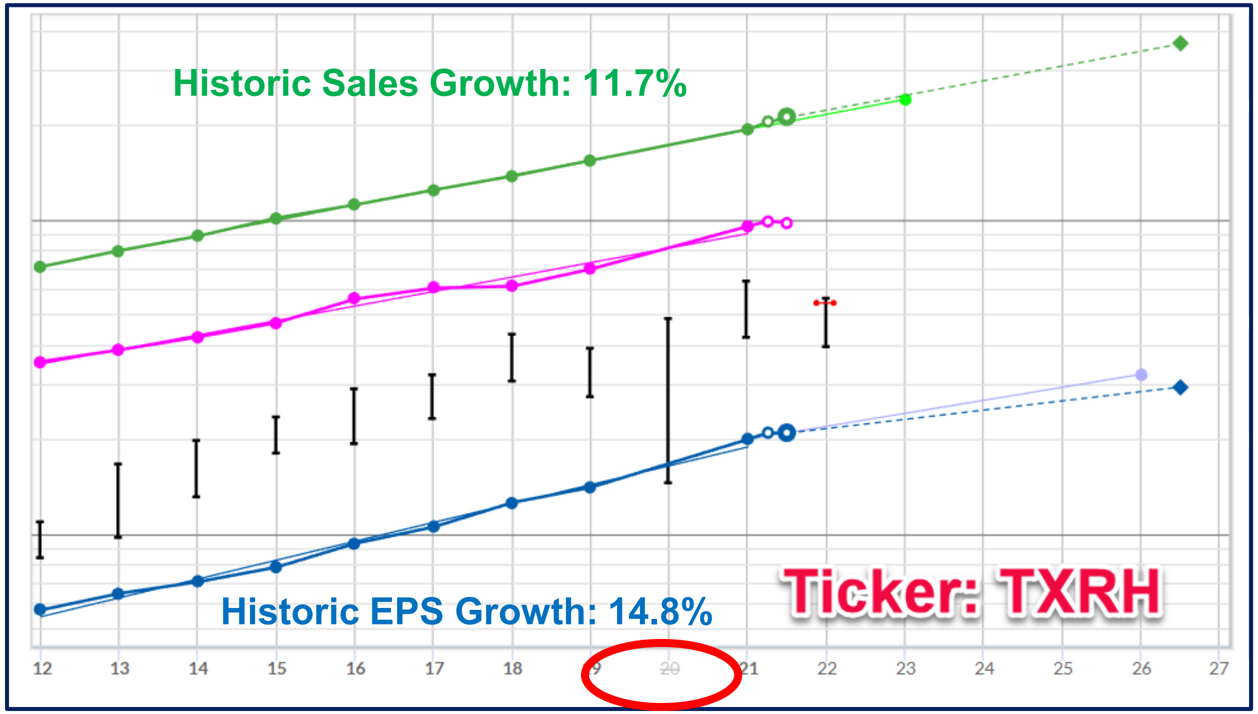
"Before a trend line can be useful to you, however, you will want to eliminate any *outliers*, irrelevant historical data reflecting events that have occurred in the past and are unlikely to occur again."

-- Take Stock, pg. 92



Eliminating Outliers





"It's important to eliminate irrelevant data in order to properly measure historical growth and to **provide a reasonable starting point for estimating future growth**." *(emphasis added)*

-- Take Stock pg. 103

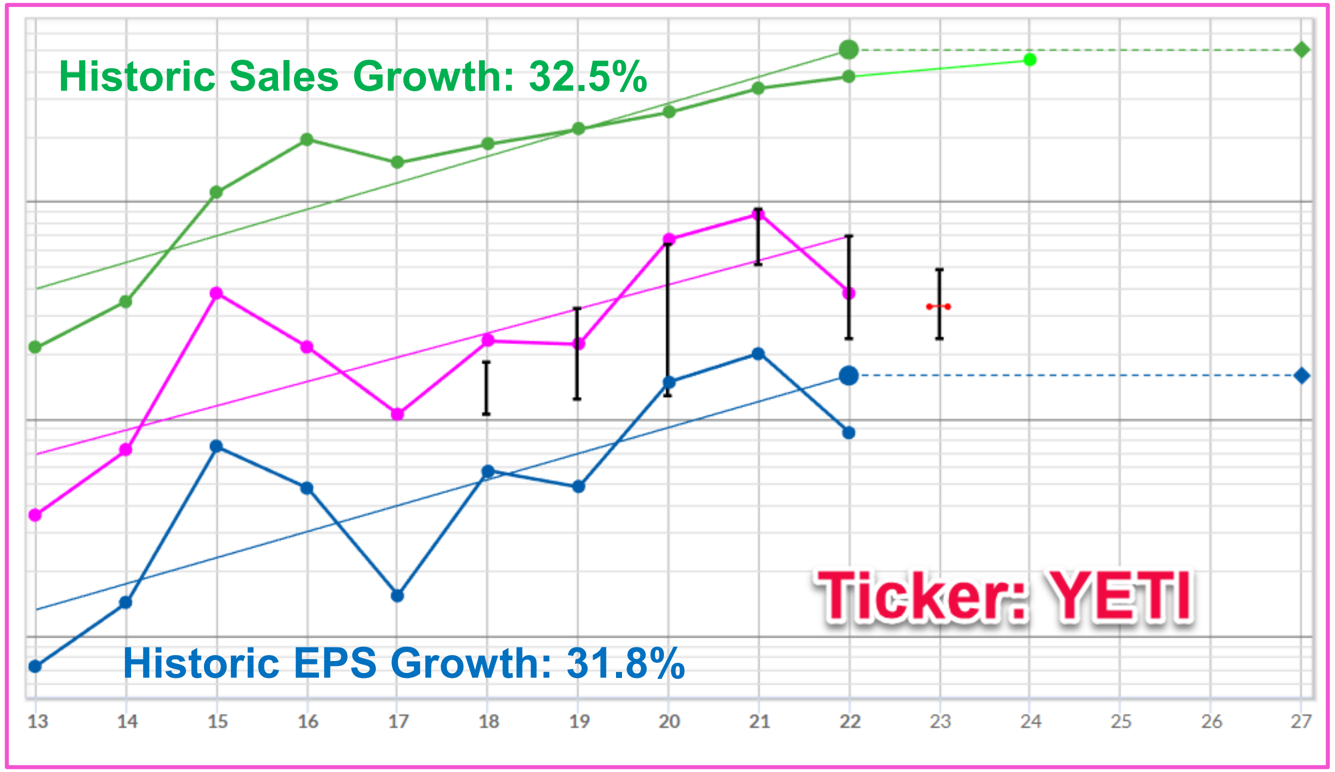
Outliers – Early Rapid Growth

"Outliers consists of two types:

Spikes: one-time events, usually bad, that show up as a significant deviation from the rest of the data;

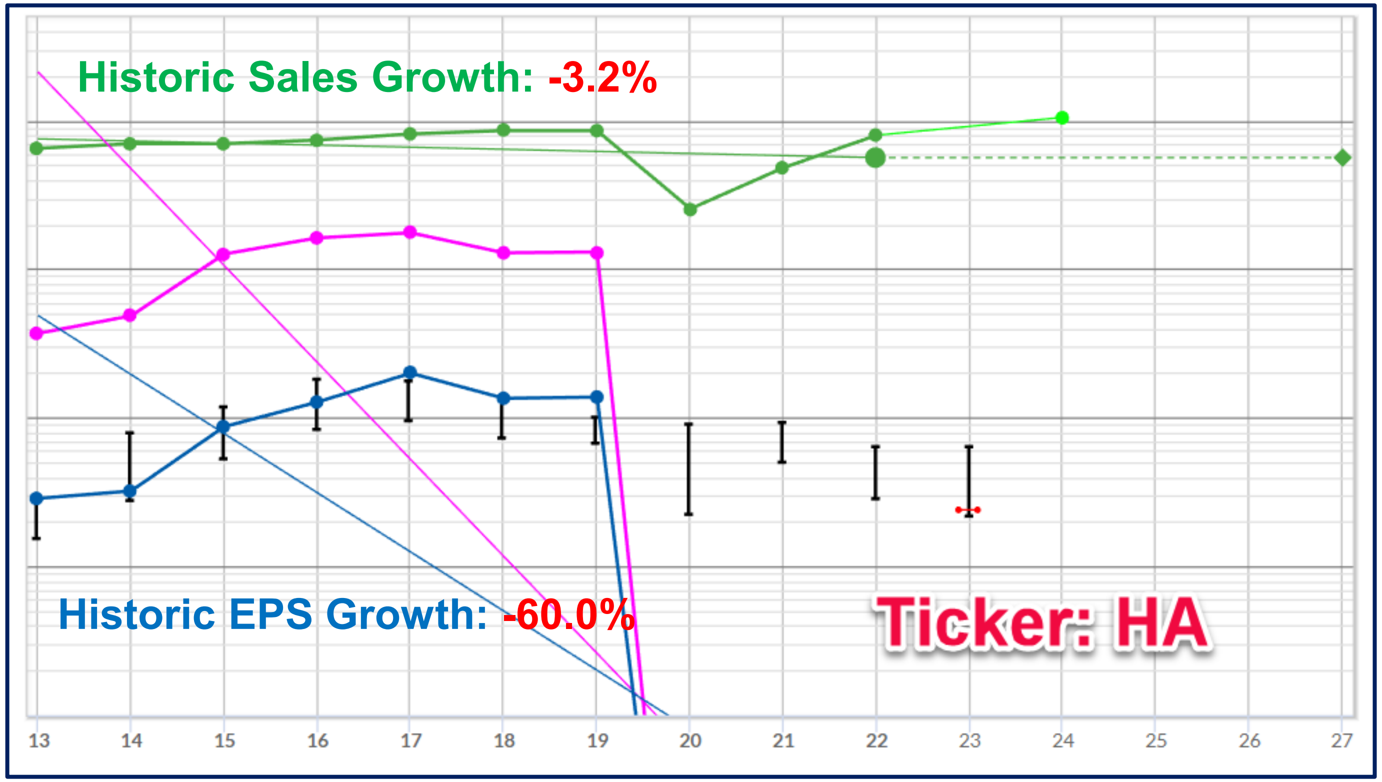
Early rapid growth: unsustainable growth that occurred in the past is no longer likely"

Take Stock, pg. 93



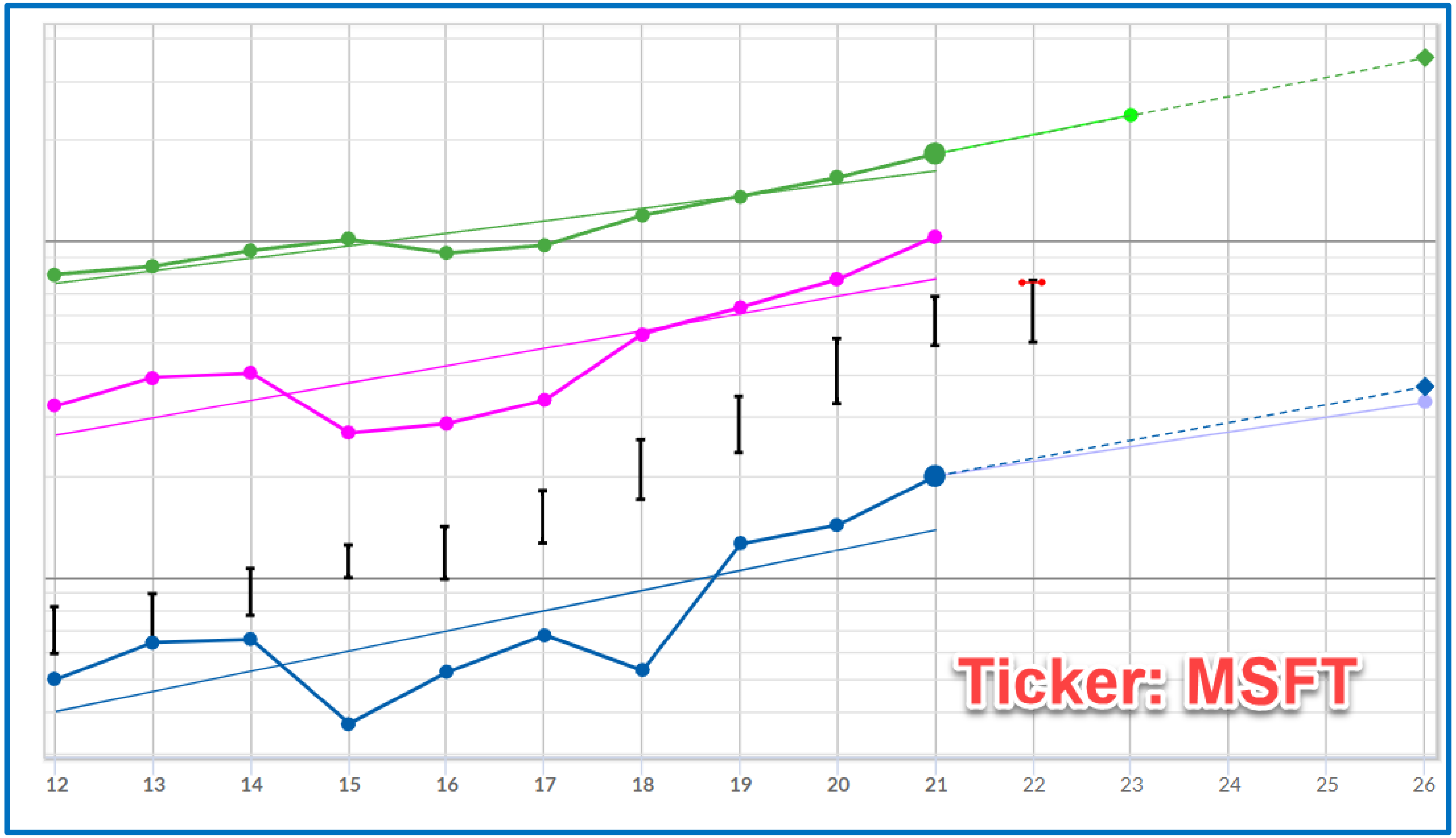
Spikes – One-Time Events Usually Bad

One Time Bad Events:
This is an easy company to discard. This is not just one bad events but a series. Yes, travel and leisure took major hits due to the pandemic. But the years prior to 2020 are not that robust.

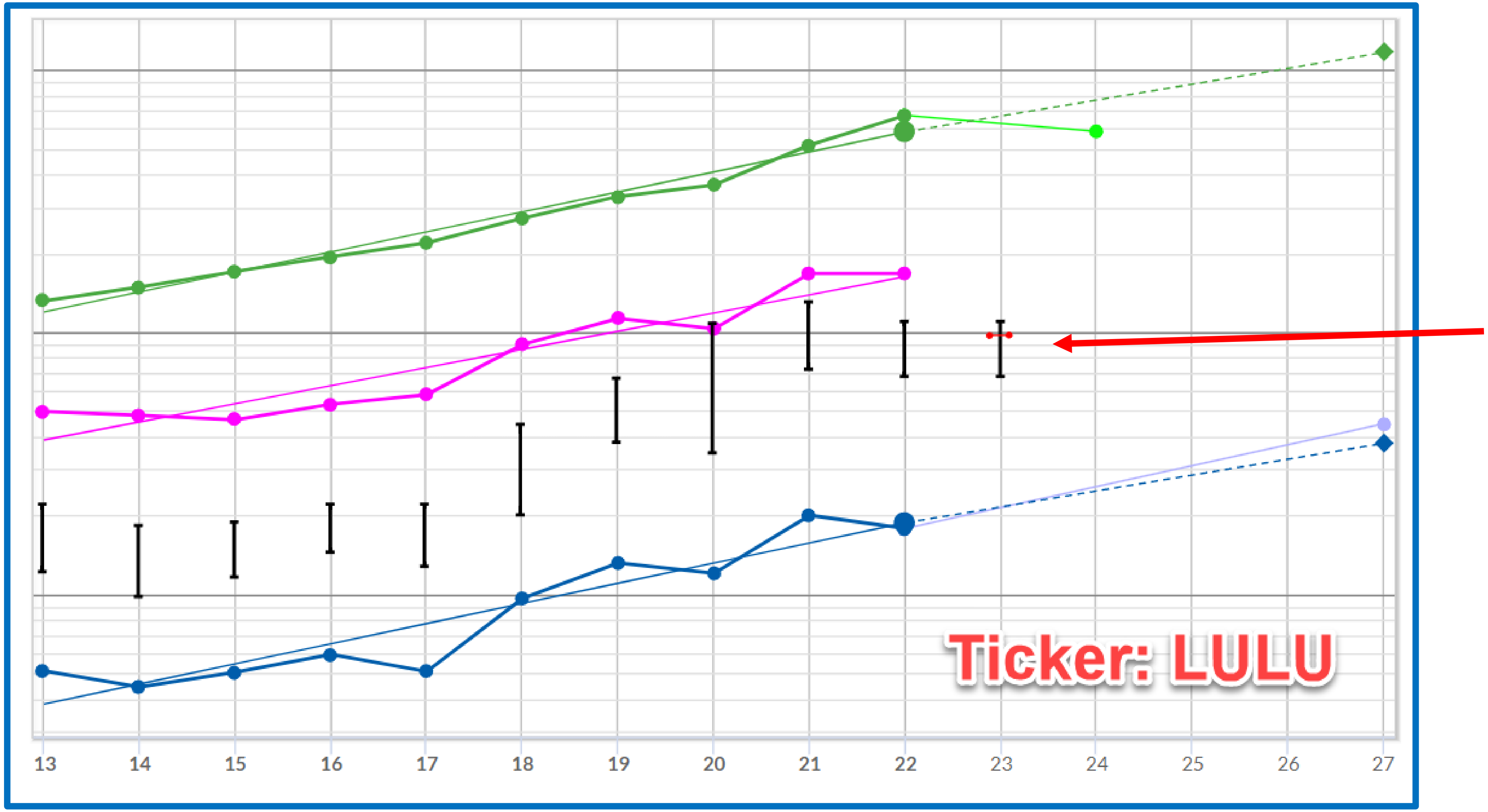


Annual Sales trendline touches (or nearly touches) **in 5 of the 10 years.** Nothing since 2016/17; **Annual EPS trendline touches 1 of 10 years.**

6. The Value Is In Plain Sight



Where is the Current Price?



Where is the current price on the price bar to the furthest right.

Value stocks tend to be (generally) closer to the 52-week low.

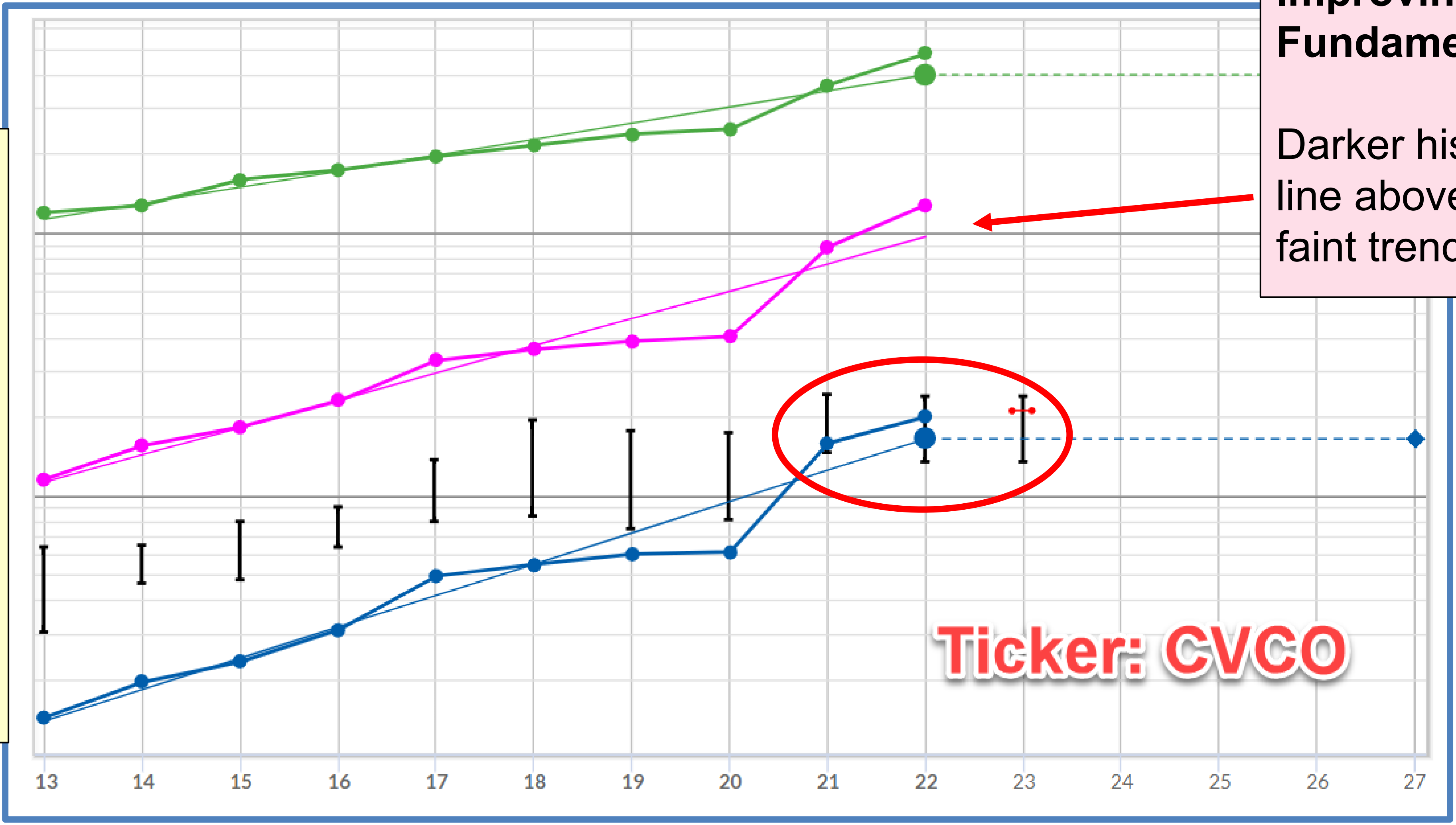
Overvalued stocks tend to be (generally) closer to the 52-week high.

Where has the Stock Been Trading?

Price range unchanged for a couple of years.

Fundamentals improving.

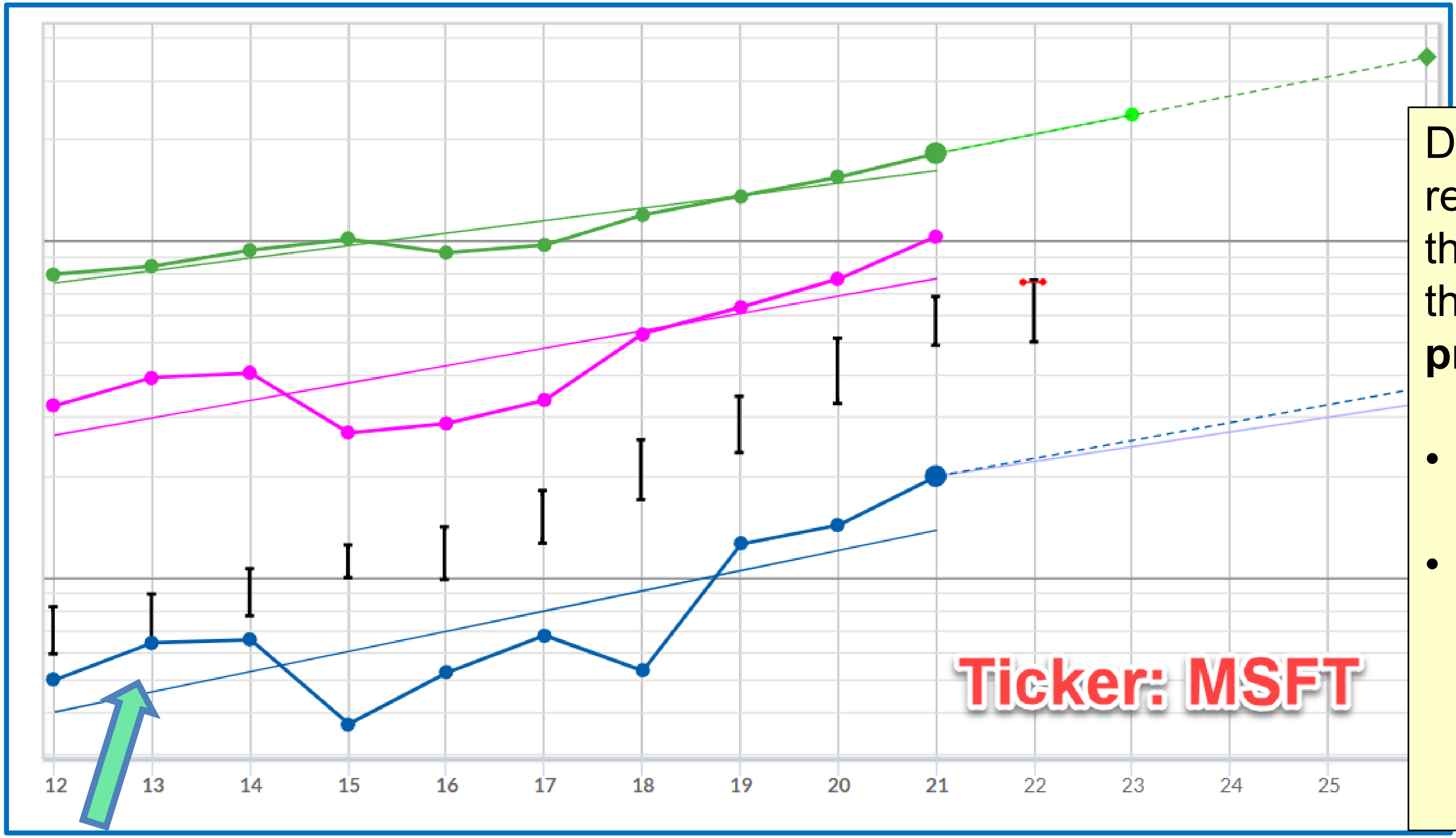
When the visual analysis look like this it might be a worthwhile stock to study.



Improving Fundamentals:

Darker historic line above the faint trend line.

Visualizing the P/E Ratio



Don't ignore the relationship between the **blue EPS line** and the **black 52-week price bar**

- Where they touch P/E is 10.
- Price bars above the EPS line show a higher P/E (or P/E Expansion).

Becoming a Better Investor Can Be an Exercise in Patience

"Be fearful when others are greedy and be greedy when others are fearful."

Warren Buffett

1986 Letter to Shareholders

Let's Break For ….

Your Stock Study is a Scavenger Hunt for Adults

If you like “whodunits”, puzzles, mysteries or figuring things out then you will become a Better Investor. You will more likely have success in your stock selections.

The Reward is More Money in Your Portfolio

INTERPRETING ON THE SSG

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Homework -- A Challenge

Getting Off the Sidelines & Into the Game

Practice, Practice, Practice!

Set a goal to complete three SSGs in the next month AND discuss them with someone else.

Get Skin In The Game

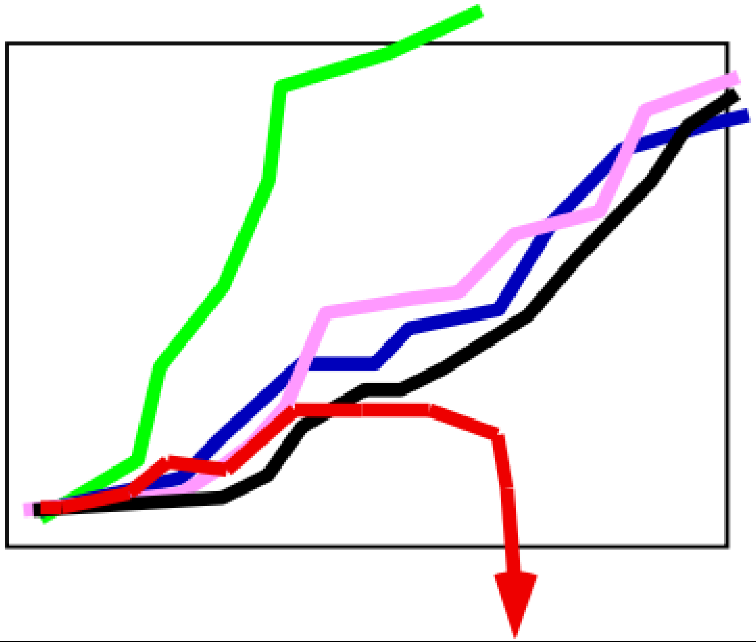
- Open a brokerage account
  - If you don’t have one
- Select one that allows you to buy fractional shares
  - If you don’t know what fractional share buying is, then google it
- Fund it with real money … or if reluctant paper money
  - Can be as little as $100.00 up to $10,000.00
- Do 10 SSGs over the next 9 months
  - Focus on the BI Principles Outlined Today
- Purchase 10 Stocks Based on YOUR JUDGMENT on the SSG
  - If you don’t own stocks, then why are you here?
- Don’t Sell For a minimum of nine months – better if a year.
  - Review your choices after six months to a year.

You Will Not Always Be Right: The Rule of Five

One will exceed your expectations;

Three will perform as you expected;

One will probably sink out of sight



Babson used **this Rule of Five for Income Stocks**. According to him the percentages are even better for growth stocks.

David Babson, Investing for a Successful Future, 1959, pg. 253

Stock Investing Is a Long Game

- *“You wait for the fat pitch,” Shareholder Letter 2003.*
- *“If you aren't willing to own a stock for ten years, don't even think about owning it for ten minutes,” Shareholder Letter 1996.*
- *“Calling someone who trades actively in the market an investor is like calling someone who repeatedly engages in one-night stands a romantic” Shareholder Letter 1991.*

Fat Pitcher: Warren Buffet takes to the field at Fenway | CREDIT: Photo: Red Sox Photos

Click here to see Warren Buffett’s Biggest Investing Mistakes