Stock Picking Assignment

Part1: Stock Screen

Filters: 6 — Descriptive | Fundamental(6) | Technical | All(6)

Exchange	Any	Index	Any	Sector	Any	Industry	Any	Country	Any
Market Cap.	Any	P/E	Low (<15)	Forward P/E	Any	PEG	Any	P/S	Any
P/B	Any	Price/Cash	Under 5	Price/Free Cash Flow	Any	EPS growth this year	Any	EPS growth next year	Any
EPS growth past 5 years	Any	EPS growth next 5 years	Any	Sales growth past 5 years	Any	EPS growth qtr over qtr	Any	Sales growth qtr over qtr	Any
Dividend Yield	Any	Return on Assets	Any	Return on Equity	Over +20%	Return on Investment	Any	Current Ratio	Over 2
Quick Ratio	Any	LT Debt/Equity	Any	Debt/Equity	Under 0.5	Gross Margin	Over 40%	Operating Margin	Any
Net Profit Margin	Any	Payout Ratio	Any	Insider Ownership	Any	Insider Transactions	Any	Institutional Ownership	Any
Institutional Transactions	Any	Float Short	Any	Analyst Recom.	Any	Option/Short	Any	Earnings Date	Any
Performance	Any	Performance 2	Any	Volatility	Any	RSI (14)	Any	Gap	Any
20-Day Simple Moving Average	Any	50-Day Simple Moving Average	Any	200-Day Simple Moving Average	Any	Change	Any	Change from Open	Any
20-Day High/Low	Any	50-Day High/Low	Any	52-Week High/Low	Any	Pattern	Any	Candlestick	Any
Beta	Any	Average True Range	Any	Average Volume	Any	Relative Volume	Any	Current Volume	Any
Price	Any	Target Price	Any	IPO Date	Any	Shares Outstanding	Any	Float	Any
After-Hours Close	Any	After-Hours Change	Any						Reset (6)

Overview | Valuation | Financial | Ownership | Performance | Technical | Custom | Charts | Tickers | Basic | TA | News | Snapshot | Stats

Total: 19 #1 save as portfolio | create alert Auto Refresh: 3min | off Page 1/1

No.	Ticker	Company	Sector	Industry	Country	Market Cap	P/E	Price	Change	Volume
1	BDSI	BioDelivery Sciences International, Inc.	Healthcare	Biotechnology	USA	292.57M	10.03	2.87	-4.65%	371,257
2	CIH	China Index Holdings Limited	Technology	Software - Application	China	124.54M	2.66	1.37	0.59%	4,693
3	CODX	Co-Diagnostics, Inc.	Healthcare	Diagnostics & Research	USA	248.89M	5.99	9.57	12.85%	475,798
4	COHU	Cohu, Inc.	Technology	Semiconductor Equipment & Materials	USA	1.74B	10.53	34.22	-3.35%	104,346
5	DJCO	Daily Journal Corporation	Communication Services	Publishing	USA	560.90M	3.73	387.80	-1.82%	2,473
6	DQ	Daqo New Energy Corp.	Technology	Semiconductor Equipment & Materials	China	4.59B	6.78	58.05	-3.73%	338,722
7	EVR	Evercore Inc.	Financial	Capital Markets	USA	6.70B	9.77	143.83	-3.23%	67,164
8	GRVY	Gravity Co., Ltd.	Communication Services	Electronic Gaming & Multimedia	South Korea	577.39M	8.52	78.14	-5.54%	19,935
9	HGBL	Heritage Global Inc.	Financial	Capital Markets	USA	64.35M	7.71	1.70	-2.89%	1,434
10	JOUT	Johnson Outdoors Inc.	Consumer Cyclical	Leisure	USA	1.08B	11.94	105.54	-2.85%	3,229
11	LFVN	LifeVantage Corporation	Consumer Defensive	Household & Personal Products	USA	95.42M	7.19	6.94	-2.25%	26,998
12	LMFA	LM Funding America, Inc.	Financial	Credit Services	USA	75.01M	3.40	5.58	-5.90%	120,472
13	NTIP	Network-1 Technologies, Inc.	Technology	Communication Equipment	USA	67.50M	5.04	2.78	-1.94%	1,656
14	QURE	uniQure N.V.	Healthcare	Biotechnology	Netherlands	1.33B	4.28	28.74	-1.20%	56,301
15	SAGE	Sage Therapeutics, Inc.	Healthcare	Biotechnology	USA	2.35B	3.43	39.35	-1.65%	52,883
16	SSY	SunLink Health Systems, Inc.	Healthcare	Medical Care Facilities	USA	14.93M	2.13	2.11	0.48%	20,736
17	VRME	VerifyMe, Inc.	Industrials	Security & Protection Services	USA	25.15M	11.85	3.41	0.55%	3,030
18	WFG	West Fraser Timber Co. Ltd.	Basic Materials	Lumber & Wood Production	Canada	11.55B	2.47	84.79	-2.47%	53,281
19	ZCMD	Zhongchao Inc.	Healthcare	Health Information Services	China	47.10M	10.44	1.85	-1.89%	13,477

I chose 6 filters in this stock screener, and 19 stocks are filtered out. First, I set the P/E ratio since this price ratio can help investors determine if the stock is undervalued, appropriately priced, or overvalued. The filter is set to be lower than 15 because empirical evidence shows that investing in low P/E stocks outperforms investing in high P/E stocks in the long term, and the simplified benchmark is 15.

Then I chose the Price/ Cash ratio as a filter because under this measure the net income of the Cash Flow portion rightly adds depreciation and amortization back in (Zack, 2014). The lower this price ratio is, the better a stock will perform in the market. Given a simplified benchmark of 10 from the previous unit, I set it as 5 to find the companies that are further undervalued.

Besides, Return on Equity (ROE) is also an important factor to consider when investing in stocks. This profitability ratio measures how effectively a company can produce profits for shareholders by using the corporation's equity. From the previous unit, we knew that historically, an ROE of 15% or higher is considered acceptable for a public company, so in order to find companies that are more capable of making money, I chose to filter the stocks with an ROE that greater than 20%.

Debt to equity is another filter that can be helpful for investors to determine the capability of a company to meet its long-term debt obligation. This leverage ratio indicates the amount of long-term debt being used in the business relative to the amount of equity. It is set under 0.5, so for every $1 of equity, there will be less than $0.5 of long-term debt, which means the cost of debt is relatively lower than the cost of equity, hence the selected companies have the capacity to issue more debt.

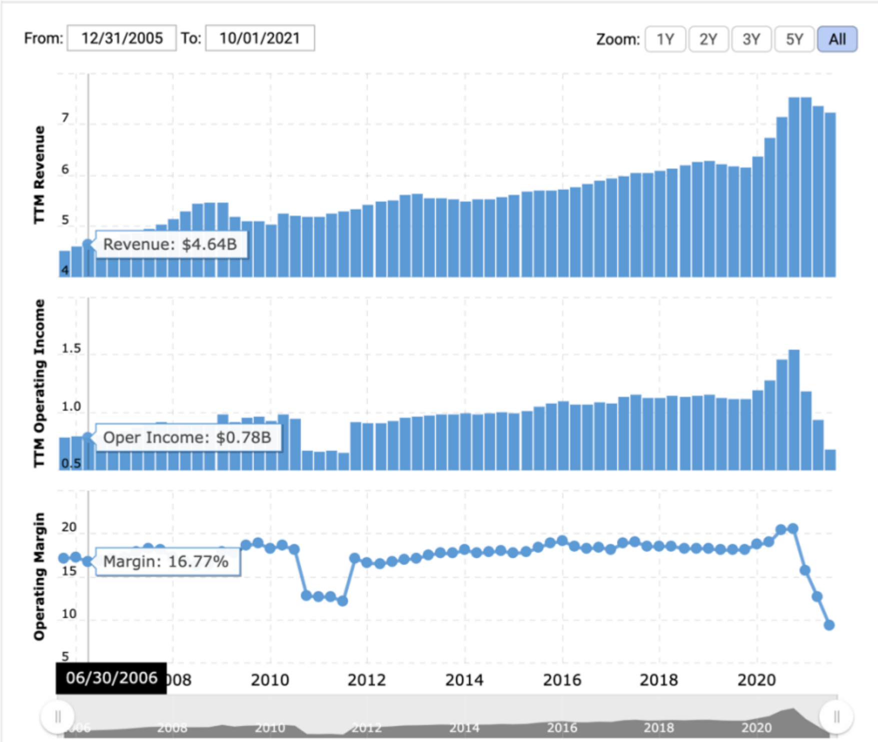
We can also consider Gross Margin since keeping healthy profit margins is significant for companies. The higher this profitability ratio is set, the more a company retains on each dollar of sales to service its other costs and obligations and can better survive a downturn. A gross profit margin greater than 40% is a positive signal that the selected companies are relatively profitable in their main product or service before deducting the costs to operate the business.

The last filter is the Current Ratio over 2. This liquidity ratio is the most popular one that is used to evaluate a company's ability to pay liabilities with its current assets. A higher current ratio means that a company has much more assets than its liability. From the last unit, we know that in general, a current ratio between 2 and 3 indicates a company that is managing its liquidity appropriately. Thus, I set the current ratio filter to be over 2.

Part 2: Value Investing

I would recommend a value investor to buy stocks of The Clorox Company (CLX). The Clorox Company produces profits from manufacturing cleaning, lifestyle, and household products, and was founded on May 3, 1913, and is headquartered in Oakland, CA. During the pandemic, as U.S. stocks tanked in the face of a spreading coronavirus pandemic, shares of Clorox hit highs not seen since the early 1970s (Ferris, 2020). This motivated investors at such an uncertain period. However, Clorox CLX has seen declines in recent months as vaccines roll out and consumers' lives start to return to some sense of normal (Garcia, 2021). Despite that, CLX is still a valuable stock that is worth holding in a long term. The reason for this can be found in the criteria below.

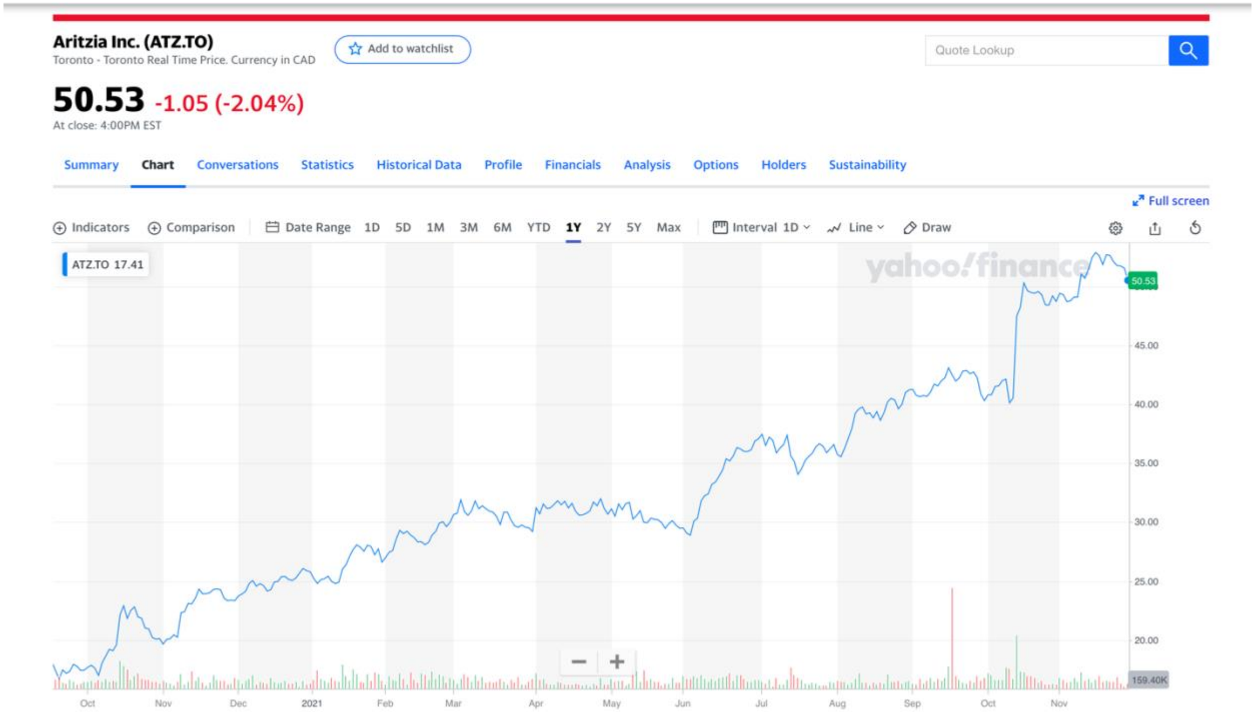
- The Clorox Company has shown a durable competitive advantage since the Covid -19 outbreak and will continue to outperform given the impact of the pandemic and people's awareness of cleaning and sterilizing in the future. This can be traced when considering Clorox's sales show an upward trend clearly from pre-pandemic levels even though they decline from the 2020 peak.
- As Ferris mentioned in his article, an analysis by Deutsche Bank dating back to the 1990s found that household products companies and other consumer staples tend to outperform the S&P 500 when markets are rattled, such as during geopolitical events or recessions (2020). This indicates when the market fluctuates and is difficult to make money, Clorox would be a wise choice for investors since their products are needed by customers on a regular basis.
- The revenue of Clorox is not tied directly to commodity, but also highly depends on the trend and impact of the recent pandemic of Covid-19. Clorox's products will keep being in high demand under the circumstance of a global public health crisis. For example, Clorox wipes were sold out of many retail locations for months in the early stages of the pandemic (Berman-Gorvine, 2021).
- From statistics of The Clorox Company on Yahoo Finance, the company has healthy profit margins where its operating profit margin is 13.30% and profit margin 6.04%. The values are lower than the data in 2020 given the special need and inflation. But inflation pressure will pass soon, and by now the stock is undervalued, which gives an opportunity for investors.



- Based on historical stock buybacks (Quarterly) data of Clorox from yCharts, the company continuously bought back shares in 2021, with 300 million in June, and 25 million in September respectively. This indicates Clorox believes its stock price represents good value.
- We can also determine Clorox's company intrinsic value by calculating some important ratios. Firstly, given the data from Yahoo Finance, the trailing P/E ratio of Clorox is 48.02, and the forward P/E ratio is 31.55, which is not good for investors. However, before 2021, most of the values are around 20. This can be explained by the soar of its stock price during the pandemic in 2020 and as people get used to the event, the stock price will come back to a reasonable value. Overall, in the long-term, this stock is a good choice to hold for value investors.

Part 3: Growth Investing

I would recommend Aritzia for a growth investor which is experiencing fast growth and well maintain the trend. Aritzia is a clothing company whit an innovative global platform. From its financial statement, we can observe this standalone boutique has posted $350.1 million in net revenue for the three months ending Aug. 29, jumping by roughly 75 percent in comparison to the same period last year. This reflects an accelerated momentum of this stock, which is considered important for investors. Reasons for such a success in the brand's sales growth and why it is worth investing in are shown in several aspects below.



- First of all, Aritzia has developed a new service platform called e-commerce with sufficient market potential to grow sales. In fact, e-commerce brought $130.4 million in sales for Aritzia, which was about 49 percent more than last year (Hughes, 2021).
- Aritzia has developed strategies that improve the development of goods or services into new ones so that the new products continue the company's sales growth after existing products keep performing well. For example, partnering with social media personalities is one of the strategies to boost the brand's reach in the U.S. market, and it has turned to celebrity influencers such as Kendall Jenner in a bid for the attention of consumers. In this way, new products on e-commerce could continuously contribute to sales growth (Siekierska, 2021).
- Aritzia's profit margins are above average value for the most recent quarter. From its financial statement of the second quarter of fiscal 2022, its Gross profit margin increased to 44.6% from 35.2% in Q2 2021. Such an increasing trend indicates the company is profitable from its products and services. This is also indicative of a quality sales organization.
- The fashion industry is regulated by the Federal Trade Commission instead of the government, so over the long term, its potential profit will not be reduced.
- Aritzia is on edge with a strong balance between its products' price and quality and a compelling growth strategy. As Gibillini argued, shares of the Vancouver-based retailer have shot up nearly 50 %since the company went public in October 2016. In its latest quarter, the retailer reported a 10-per-cent jump in net revenue from the same period a year earlier and a 5.1% rise in sales at stores that have been open for over a year (2021). Thus, we can conclude that the company has firmly entrenched in its industry and can develop further achievement.
- The number of shares outstanding of Aritzia is 88.42 million, and the implied shares outstanding is 110.35 million, compared to 59.08 million shares outstanding for another

famous brand Abercrombie & Fitch. So, Aritzia can be considered a significant player in its industry given the number of market shares.

- From this unit, we know that operating profit margins of 10-25% is a positive signal for investors, and Most growth investors are looking for an ROE greater than 15% and a return on capital greater than 10%. Based on Yahoo finance, we can see that Aritzia has an Operating margin of 16.63%, a Return on Equity ratio of 28.45% and a Return on Capital rate of 20%. All these numerical metrics satisfy the need of growth investors. Overall, in the long-term, I believe the ATZ will reward growth investors.

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