Stock Picking Report

BINDER NIE

DECEMBER 1, 2022

*All nubers in this report in thousands

Part 1: Stock Screen and Ratios

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

P/E	Low (<15)	Forward P/E	Any	PEG	Low (<1)	P/S	Any	P/B	Any
Price/Cash	Any	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	Return on Assets	Any
Return on Equity	Very Positive (>30%	Return on Investment	Any	Current Ratio	High (>3)	Quick Ratio	Over 1	LT Debt/Equity	Any
Debt/Equity	Under 1	Gross Margin	Any	Operating Margin	Any	Net Profit Margin	Any	Payout Ratio	Any
Insider Ownership	Any	Insider Transactions	Any	Institutional Ownership	Any	Institutional Transactions	Any		Reset (6)

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

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No.	▲Ticker	Company	Sector	Industry	Country	Market Cap	P/E	Price	Change	Volume
1	BGSF	BGSF, Inc.	Industrials	Staffing & Employment Services	USA	138.24M	12.14	13.31	-0.86%	6,743
2	CHGG	Chegg, Inc.	Consumer Defensive	Education & Training Services	USA	3.64B	14.49	28.56	0.00%	375,164
3	HDSN	Hudson Technologies, Inc.	Basic Materials	Specialty Chemicals	USA	509.86M	5.06	11.29	6.71%	521,038
4	IIIN	Insteel Industries, Inc.	Industrials	Metal Fabrication	USA	563.09M	4.46	28.41	0.67%	35,079
5	KLIC	Kulicke and Soffa Industries, Inc.	Technology	Semiconductor Equipment & Materials	Singapore	2.65B	6.67	47.09	-1.51%	104,170
6	MLI	Mueller Industries, Inc.	Industrials	Metal Fabrication	USA	3.93B	6.14	69.85	1.23%	103,359
7	MTSI	MACOM Technology Solutions Holdings, Inc.	Technology	Semiconductors	USA	4.81B	11.09	68.44	-0.90%	159,650
8	NUE	Nucor Corporation	Basic Materials	Steel	USA	38.29B	4.65	149.19	-0.36%	578,035
9	OLPX	Olaplex Holdings, Inc.	Consumer Cyclical	Specialty Retail	USA	3.58B	13.51	5.46	0.92%	794,183
10	RAVE	Rave Restaurant Group, Inc.	Consumer Cyclical	Restaurants	USA	26.23M	3.62	1.62	0.00%	29,042
11	SD	SandRidge Energy, Inc.	Energy	Oil & Gas E&P	USA	766.06M	4.34	20.25	-0.69%	118,483
12	STLD	Steel Dynamics, Inc.	Basic Materials	Steel	USA	18.32B	4.59	103.98	0.03%	503,156
13	UFPI	UFP Industries, Inc.	Basic Materials	Lumber & Wood Production	USA	4.92B	7.33	81.56	0.88%	58,895
14	VIR	Vir Biotechnology, Inc.	Healthcare	Biotechnology	USA	3.66B	3.20	27.23	-0.07%	216,407
15	WFG	West Fraser Timber Co. Ltd.	Basic Materials	Lumber & Wood Production	Canada	9.18B	2.63	82.66	1.31%	59,457
16	WIRE	Encore Wire Corporation	Industrials	Electrical Equipment & Parts	USA	2.79B	4.19	148.81	-0.64%	40,040

Figure 1: Finviz Stock Screen with the selected ratios

The above stock screen comes from Finviz. The ratios that I chose will help me determine a good stock to buy or recommend to a potential investor. The explanation for each of the ratios I picked are as follows.

The first price ratio I selected is the Price to Earnings (P/E) ratio of under 15% since the P/E ratio represents the price in market for $1 of earnings, and a ratio of under fifteen means that the price for $1 of earnings is less than or equal to $15. In other words, an investor would pay $15 or less for a dollar of earnings. Usually, a P/E ratio of less than 15% is a good benchmark as stock is considered cheap under $15. Also, a low P/E indicates that a company is currently undervalued and it is doing well compared to its past trends, showing good growth.

Another price ratio I chose was the price to earnings growth (PEG) Ratio as this is a good complement for the P/E ratio. The PEG ratio will tell me if a stock is overvalued or undervalued. Generally, a PEG ratio of below one will tell me that this stock is undervalued and is being traded for less than what it is worth, implying a potential growth. However, according to a well-known investor Peter Lynch, a company's P/E and expected growth should be equal. As I already chose a low P/E ratio of less than 15%, so a low PEG ratio of less than one will confirm that the company is undervalued on the market.

The profitability ratios I chose for the stock selection included the Return on Equity (ROE) ratio. ROE is one of the most popular ratios for analyzing a stock as it shows how effective a company can produce profits for a common shareholder using its equity. ROE is a good starting point to estimate a stock's future growth. In 2021, the average ROE for the companies in the S&P 500 was 21.88%, which will be a good benchmark for a good ROE for any company. I set the ROE criteria to be above 30% to pick out the companies with the highest ROE's. However, I will still analyze the stocks individually later to make sure the companies match their high ROE with strong performance. According to Investopedia, one of the ways to measure strong performance is a large net income compared to their equity. Making sure a company has strong performance with their high ROE shows me that their stock has better value and relatively low risk.

The leverage ratio I chose was the Debt to Equity Ratio. This ratio allows me to see how much long-term debt there is per $1 of equity. Anything below a dollar is considered low and tells me that the company could take on more debt if needed. As well, a low debt to equity ratio tells me that if I do invest in the company, it will be a relatively low-risk investment compared to if I invest in a stock with a high debt to equity ratio, which will be a comparatively higher risk investment. A debt to equity ratio of above 0 and below 1 also shows that the company is taking advantage of debt financing and its tax advantages.

The two liquidity ratios I used were the current and quick ratio. The current ratio helps me determine if the company can pay off current liabilities by using current assets only. Essentially by picking a current ratio of over 3, I'm picking companies that can theoretically pay off all their current liabilities if they were to be due instantly with just their current assets.

The quick ratio is the same in concept as the current ratio except that instead of using all the current assets listed in a company's balance sheet, quick ratio checks if a company can pay off its current liabilities with only its cash and Accounts Receivable (A/R). I chose to show the companies with a quick ratio of over one as this demonstrates that this company will be able to pay off its current liabilities with just its cash and A/R. The quick ratio is more conservative than the current ratio as it excludes the accounts in the current assets in the balance sheet that take time to liquidate such as inventory. Thus, a quick ratio of over 1 also tells me that this company is more liquid and that the company is managing its liquidity well by collecting assets quickly and selling inventory quickly. Also, a high quick ratio tells me that the company can generate cash quickly in case of an emergency that makes a company unable to pay for its short-term liabilities.

*All nubers in this report in thousands

Part 2: A Stock for Value Investors

CHGG [NYSE]
Chegg, Inc.
Consumer Defensive | Education & Training Services | USA

statements

Index	-	P/E	14.49	EPS (ttm)	1.97	Insider Own	2.60%	Shs Outstand	126.13M	Perf Week	-0.70%
Market Cap	3.64B	Forward P/E	21.38	EPS next Y	1.34	Insider Trans	-0.39%	Shs Float	122.77M	Perf Month	31.61%
Income	289.10M	PEG	0.72	EPS next Q	0.38	Inst Own	97.80%	Short Float / Ratio	4.39% / 3.29	Perf Quarter	47.67%
Sales	769.20M	P/S	4.74	EPS this Y	79.20%	Inst Trans	-3.23%	Short Interest	5.39M	Perf Half Y	53.30%
Book/sh	8.30	P/B	3.44	EPS next Y	-5.72%	ROA	10.90%	Target Price	26.06	Perf Year	13.11%
Cash/sh	7.37	P/C	3.87	EPS next 5Y	20.00%	ROE	30.60%	52W Range	15.66 - 37.64	Perf YTD	-6.97%
Dividend	-	P/FCF	15.01	EPS past 5Y	53.30%	ROI	-0.30%	52W High	-24.12%	Beta	1.00
Dividend %	-	Quick Ratio	7.20	Sales past 5Y	25.00%	Gross Margin	73.80%	52W Low	82.38%	ATR	1.22
Employees	1613	Current Ratio	7.20	Sales Q/Q	-4.20%	Oper. Margin	15.70%	RSI (14)	64.66	Volatility	3.20% 4.29%
Optionable	Yes	Debt/Eq	0.00	EPS Q/Q	3682.30%	Profit Margin	37.60%	Rel Volume	0.23	Prev Close	28.56
Shortable	Yes	LT Debt/Eq	1.13	Earnings	Nov 01 AMC	Payout	0.00%	Avg Volume	1.64M	Price	28.56
Recom	2.70	SMA20	8.26%	SMA50	22.56%	SMA200	18.80%	Volume	375,164	Change	0.00%

Figure 2: Finviz Stock Screen of Chegg, Inc. (CHGG)

I chose this stock using the bottom-up stock selection method since I already had the stock screen ready with all the stock ratios that I wanted. After picking this stock from the stock screen, I also took data from the company's financial statements from *Yahoo! Finance* and used those statistics with my chosen ratios.

For a value investor, a good option I would recommend is CHGG (Chegg, Inc.) in the Education and Training Services sector. One of the obvious indictors for this stock were its healthy profit margins ($521,361 in Gross Profit, $27,281 in Operating Income and $289,086 in Net income in the past fiscal year) as can be seen from Chegg's income statements on *Yahoo! Finance*.

Qualitatively, this stock is an excellent choice for value investors because the company is relatively small as it only has a user base of five million people around the world so far. A small company means that there are less investors looking at this company, and when bigger companies notice Chegg, there will be a huge price increase. Though this company is small right now, their userbase is only growing, implying a demand for their services.

Furthermore, from my personal experience, Chegg is starting to be more well-known as more of my friends in high school and university talk about it more. Chegg right now is like Grammarly a few years back when Grammarly made a name for themselves as the single most reliable company to look over writing. Chegg is now making a name for itself as the one and only most reliable education source on the market. When people think about the education service to use to look over their essay, help them do their citation or answer a question, etc., people think Chegg. This gives

Chegg a durable competitive edge as it is difficult for any new competitors to enter the market especially since Chegg offers such a large variety of education services. For example, one of its small competitors right now is Photomath, which is a mobile application that allows users to submit a photo of a math question and Photomath will solve it for them. However, Photomath only offers help with mathematics, which is one subject out of many, while Chegg offers help with so many more subjects, making Chegg more appealing to users. As well, Chegg has an easy-to-understand business model, it is simply an online platform that offers services to help students succeed. Some of the common ones include: 24/7 homework help with a professional, renting/buying textbooks, spell checks, citation machines and many more.

I applied the *Asset VS Earnings Valuation Test* to Chegg as a quantitative test. It is as follows. Based on the balance sheet for CHGG on *Yahoo! Finance*, the value of its assets less liabilities is 1,106,917 and Chegg has 2,043,467 outstanding shares. Hence its adjusted book value per share is $0.54 which I got by dividing its assets less liabilities by outstanding shares. Now, to find the earnings value per share for Chegg, we see that the company's current EPS is $0.04 and a rate of return (cost of capital) I believe appropriate is 5% based off the trends for Chegg's EPS in the past few years. As such, its earnings value per share is around $0.8, which I got by dividing the company's current EPS by the rate of return that I believe was reasonable. As we can see, the earnings value per share is greater than the adjusted book value per share by almost 50%, which means that Chegg will earn a better return on its assets than someone who wants to enter this market. Thus, it is difficult for a new company to enter the market, giving Chegg a durable competitive edge.

I also performed ratio analysis on Chegg as follows.

Chegg has a P/E ratio of 14.49. This is a good as it is below 15. This means that the price per $1 of earnings is $14.49. Meaning that over the long run, this stock will outperform those with a higher P/E ratio.

The PEG ratio for CHGG is 0.72. Since 0.72 is less than 1 and Chegg already has a low P/E ratio of 14.49, these two price ratios combined shows that this stock is undervalued and is trading for less than its worth, projecting a future growth.

CHGG's ROE is 30.60. This is great as it is way above 15% and CHGG does not have a large asset base since it is an online service, so the high ROE is even more impressive. I also investigated Chegg's net income and equity to ensure they have a strong performance to match the high ROE. However, Chegg does not have a large net income compared to their equity in the past few years, but that gap has been closing as they have been making more and more net income in recent years. So even though Chegg is not performing strongly right now, trends show that it will in a few years.

The Debt to Equity Ratio for Chegg is at 0, which symbolizes that Chegg has 0 cents of long-term debt for every dollar of equity. This demonstrates how Chegg's cost of debt is lower than the cost of equity, showing that Chegg can take on more debt if it comes down to it. This low debt to equity ratio and high ROE also tells me that this investment is relatively low risk, which is good for a value investor.

Chegg's current and quick ratio are both at 7.20 since Chegg only has cash and Accounts Receivable (A/R) for their current assets on the balance sheet from *Yahoo! Finance*. Since the quick ratio is just current ratio but with only cash and A/R, it is the same ratio. 7.20 seems to be a good ratio as it is above 1 so the company could survive on just its current assets if something were to happen. However, this 7.20 is too high. As we can see from the balance sheet for Chegg, we can see that most of its current assets are in cash, so its receivables are not getting collected quick enough. Although it is a high quick and current ratio, all the other ratios still indicate that Chegg is a solid investment for value investors.

Overall, Chegg is a good investment for value investors as it is currently a small company with a lot of opportunities for returns in the future as indicated by its qualitative and quantitative characteristics. From the analysis, Chegg is on the market for less than its intrinsic value, so in the long-run, Chegg will be a good investment for value investors.

*All nubers in this report in thousands

Part 3: A Stock for Growth Investors

VIR [NASD]
Vir Biotechnology, Inc.
Healthcare | Biotechnology | USA

statements

Index	-	P/E	3.20	EPS (ttm)	8.50	Insider Own	1.90%	Shs Outstand	132.73M	Perf Week	-0.07%
Market Cap	3.66B	Forward P/E	-	EPS next Y	-2.74	Insider Trans	-30.96%	Shs Float	115.10M	Perf Month	22.11%
Income	1.14B	PEG	0.46	EPS next Q	-0.57	Inst Own	76.10%	Short Float / Ratio	3.83% / 4.31	Perf Quarter	11.60%
Sales	2.38B	P/S	1.54	EPS this Y	258.00%	Inst Trans	-5.40%	Short Interest	4.40M	Perf Half Y	11.32%
Book/sh	16.20	P/B	1.68	EPS next Y	-167.30%	ROA	45.00%	Target Price	49.50	Perf Year	-14.96%
Cash/sh	17.48	P/C	1.56	EPS next 5Y	7.00%	ROE	60.70%	52W Range	18.05 - 58.00	Perf YTD	-34.97%
Dividend	-	P/FCF	2.33	EPS past 5Y	-	ROI	27.90%	52W High	-53.05%	Beta	-
Dividend %	-	Quick Ratio	7.80	Sales past 5Y	-	Gross Margin	91.70%	52W Low	50.86%	ATR	1.11
Employees	444	Current Ratio	7.80	Sales Q/Q	261.60%	Oper. Margin	-	RSI (14)	63.97	Volatility	2.69% 4.47%
Optionable	Yes	Debt/Eq	0.00	EPS Q/Q	57.50%	Profit Margin	48.00%	Rel Volume	0.21	Prev Close	27.25
Shortable	Yes	LT Debt/Eq	0.00	Earnings	Nov 03 AMC	Payout	0.00%	Avg Volume	1.02M	Price	27.23
Recom	2.30	SMA20	6.62%	SMA50	21.35%	SMA200	10.95%	Volume	216,407	Change	-0.07%

Figure 3: Finviz Stock Screen of Vir Biotechnology, Inc. (VIR)

Similar to the stock I chose for value investors, I used the bottom-up stocking picking strategy here as well since I already had all the ratios on my stock screen from part 1 and I just chose a stock based off that. I chose a company in the biotechnology field as there's a large demand for innovation in that field in current times.

Through the tough times of COVID, the human population learned the severity of viruses and diseases as millions of people died and suffered. Even now, we are still trying to come up with an effective cure or a preventative measure for this virus and many others.

For growth investors, I would recommend investing in VIR Biotechnology, Inc. for the fastest growth in the next few years.

VIR Biotechnology, Inc. (VIR) is a company that tackles those diseases and viruses head-on. They do research on these viruses and diseases to try and come up with solutions to some of the world's most serious diseases like HIV, COVID and the Influenza. Once VIR finds and creates the solutions to those viruses and diseases, this company will create the new products like vaccines and medicines to treat them and many people will want to have access to it for as long as the viruses live, which is a long time. Therefore, VIR has the market potential to grow sales for a long period of time, especially when they develop cures and vaccines for different kinds of viruses and diseases.

One of the most notable features about VIR is that it owns 100% of its market share as it is the only company doing this kind of research. Once it finds success in its research, which it likely will as it is backed by trusted investors like the Bill and Melinda Gates Foundation. Another attractive feature about VIR is its profit margin, which is sitting at 48%, which is a sign for potential future growth.

Furthermore, research show that VIR's future growth might come soon as there are many news articles right now that show VIR has made early progress in their research with COVID-19 and HIV. Thus, VIR's increase in value might come in the next few years as they develop a cure or a vaccine for those viruses and diseases.

Overall, this stock has enormous potential on the qualitative side.

On the financials side, VIR has an amazing gross profit margin of 91.25% and a phenomenal net profit margin of 48%. Both profit margins are way beyond the standards of a good stock for growth investment. On top of that, VIR has a ROE of 60%, way above the benchmark of 15% as well as a return on capital of greater than 10%. The current ratio is above 2 and the quick ratio is above 1.5, suggesting that VIR has a healthy working capital and the company's receivables and inventory are being turned over quickly.

Based off ratio analysis, VIR is a strong stock to invest in for growth as well.

VIR has a P/E ratio of 3.2, which is good as it is below 15 and the price per 1 dollar of earnings is just $3.2. This low ratio is attractive and is a sign for future increase in value.

The PEG ratio for VIR is 0.46, combined with the extremely low P/E ratio, they indicate that VIR is trading for less than its worth, in other words, this stock is undervalued.

VIR's ROE is 60.7%. This high ROE ratio comes from its large asset base as it is a research company, so they have a large asset base. However, 60.7% is still a high ROE and it symbolizes that VIR can utilize its equity effectively to generate profit for the investors. After analysis of VIR's net income and equity, I see that VIR does not have a large net income compared to its equity, which is not optimal since it doesn't show strong performance in the company. But we can see that VIR's net income is increasing significantly and consistently in the past years. Moreover, since VIR has a high ROE, it shows that VIR is relatively low risk to invest in and is likely to continue its increasing net income trend.

The Debt to Equity ratio is 0. This demonstrates that for every dollar of equity, VIR has no long-term debt, suggesting that VIR can take on more debt comfortably, keeping the company in a good financial position. This ratio, along with the high ROE tells me that VIR is a relatively safe investment.

Both the current ratio and the quick ratio for VIR is 7.8 as its only current assets are cash and A/R, so the calculations for both ratios are the same. This ratio is an indicator that the company can pay off its current liabilities with its current assets, or just cash and receivables if something were to happen and they had to pay their current liabilities immediately.

Based on VIR's above average profit margins, potential for insane growth in the near future, 100% of market share and market potential to grow sales for a long period of time, VIR is a great investment for growth investors.

*All nubers in this report in thousands

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