

Value Investing

General interest: This is a todo (I committed early)
(CPRX)

Good
Bad
Neutral

- What does the company do?
- Do I understand the business model?
- How has the stock historically performed?

Data Collection

Google

%Inst. Owner	Market Cap.	Div/yield	Price	EPS

Reuters

P/E		Current Ratio	Revenue/Employee	Div Yield
Company	Industry			

Morning Star

#Shares		#Share Ratio	Insider Trading
5 yrs ago	Current		
			Sell

Price

1. Is the p/e ratio high or low for this particular company and for similar companies in the same industry?

Low Answer: low is good, Reuters, Ratio, P/E

—Lynch

Positive indicators

2. What is the percentage of institutional ownership?

Neutral Answer: lower is better, Google

—Lynch

3. Are insiders buying company shares?

Bad Answer: lower is better, Reuters, Insider Trading

—Lynch

4. Is the company itself is buying back its own shares?

Buy yes is good, Morning Star, Financials #of shares

—Lynch

5. Have dividends always been paid?

Neutral yes is good, Morning Star, Financials, 5yr Restated

—Lynch

6. Are dividends consistently increasing?

Neutral yes is good, Morning Star, Financials, 5yr Restated or Reuter Ratio

—Lynch

Financials

7. Is the company conservatively financed?
Does the company have acceptable dept?
This is a measure of liquidity, or a company's ability to pay its debts from income.

Yes Answer: Good if Current Ratio >2 Reuters, Ratio

—Lynch, Buffet, Graham

Earnings

8. **Yes No** Are the earnings of the company strong and showing an upward trend?
—Buffett
9. **() Ok** How good is management at reinvesting retained earnings in new business opportunities, expansion, or share repurchases?
—Buffett
10. **Yes** Have earnings doubled in the most recent 10 years?
—Graham
11. **Yes** Have earnings declined more than 5 percent in 2 of the past 10 years?

If it has, then it is risky to project earnings.

—Graham

Risk

12. **Neutral** If you plan to hold the stock forever, how the company fared during previous recessions and market corrections?
[Google chart / Morning Star 10 year](#)
—Lynch
13. **Large** If you buy based on certain products, what portion of the company's revenue does the product represent?
—Lynch
14. **No** Does the business have an identifiable consumer monopoly?
—Buffett
15. **No** Would inflation have a significant affect the company?
—Buffett
16. **No** Does any key commodity price represent significant risk to earnings?
—Ivany

17. **() No** Is currency a major factor?

—Ivany

If company is interesting complete the spreadsheets.

18. What is your projected rate of return? What is your projected CAGR of EPS based on the five year restated?

Use initial rate of return with CAGR. Realize that this rate may be overstated (so you might want to use CAGR of retained earnings). However, if used consistently, the number is a great indicator of the value of holding a growing company in the long term)

—Ivany

Growth

19. Does the company's have momentum in its long-term growth rate?
—Lynch
20. If the company is in retail, has the company duplicated its successes in more than one city or town, to prove that expansion will work?
—Lynch
21. Does the company still have room to grow?
—Lynch
22. Is revenue growing?
—Ivany
23. Is expansion growing or slowing?
—Lynch

Someday Maybe

24. How much does the business have to spend on maintaining current operations?

—Buffett

25. Does the business consistently earn a high rate of return on shareholders' equity?

—Buffett

26. Does the business get to retain its earnings?

—Buffett

27. Will the value added by retained earnings increase the market value of the company?

—Buffett

28. Is the stock price of two-thirds of the tangible book value per share.

If it is, then it is likely significantly undervalued

—Graham

29. Is the stock price two-thirds the net current asset value or the net quick liquidation value?

If it is, then it is likely significantly undervalued

—Graham

30. Is total debt of no more than the net quick liquidation value?

If it is, then debt is likely of no consequence.

—Graham

31. How does the cash position compare to market capitalization?

—Lynch

32. Is the stock is selling at a p/e ratio at or near the growth rate?

Answer: ???

—Lynch

Management

1. Compare retained earnings CAGR to EPS

GACR for a select period

$$(EPS_2 - EPS_1) / (Total\ Earnings - Dividends)$$

2. See if management is buying back stock
3. See if insider trading has a buy trend
4. Look for articles referencing management.