

Fundamental Analysis Workbook

Sector:

Most companies are split across the following 10 sectors:

Sector	Description
Basic Materials	Manufacturers, extractors and refiners of chemicals, minerals, precious metals, steel, aluminum, forest products, and construction and other raw materials
Consumer Cyclical	Manufacturers of automobiles, household goods, textiles and other products, as well as homebuilders and retailers, and providers of consumer services, such as hotel, entertainment and media services
Consumer Defensives	Producers, processors and retailers of food, tobacco and beverages, and manufacturers of household and personal products, as well as providers of personal services
Energy	Explorers, refiners, marketers and distributors of fossil fuels, uranium and renewable energy, manufacturers of energy-related equipment and providers of supporting services
Financials	Operators of commercial and investment banks, investment trusts and financial markets, as well as providers of investment, insurance and real estate services
Healthcare	Manufacturers, developers and marketers of pharmaceuticals, medical equipment and supplies, as well as advanced therapeutic treatments and devices, and providers of healthcare facilities and medical research and development
Industrials	Manufacturers of industrial equipment and commercial supplies, providers of related services, such as diversified trading, distribution operations and transportation services as well as providers of professional information services
Technology	Manufacturers of semiconductors, communications equipment, computer hardware and technology related office equipment, as well as providers of consulting and IT services
Telecoms	Owners and operators of fixed line and wireless telecommunication networks providing voice and data services
Utilities	Producers and distributors of electricity, natural gas, water and steam, among other utility services

Accounting Ratios:

Ratio	Description	Formula
Operating Profit	It is a company's total earnings from its core business functions for a given period, excluding the deduction of interest and taxes.	Revenue – Cost of Goods Sold (COGS) – Operating Expenses – Depreciation & Amortization
Net Profit	It is calculated as sales minus cost of goods sold, selling, general and administrative expenses, operating expenses, depreciation, interest, taxes , and other expenses.	Operating Profit – Interest – Tax
Earnings Per Share (EPS)	It is calculated as a company's profit divided by the outstanding shares of its common stock.	$\frac{\text{Net Income} - \text{Preferred Dividends}}{\text{End of Period Common Shares Outstanding}}$
EPS Growth (%)	Shows the change in EPS.	$\frac{EPS_2 - EPS_1}{EPS_1}$ <p>Where: EPS_1 = EPS in previous year EPS_2 = EPS paid in current year</p>
Price-to-Earnings (P/E) Ratio (%)	Measures its current share price relative to its earnings per share (EPS).	$\frac{\text{Market value per share}}{EPS}$
Price/Earnings-to-Growth (PEG) Ratio (%)	It is a stock's P/E ratio divided by the growth rate of its earnings for a specified time period.	$\frac{\text{Price/EPS}}{EPS \text{ Growth}}$
Operating Margin (%)	This measures how much profit a company makes on a dollar of sales after paying for variable costs of production, such as wages and raw materials, but before paying interest or tax	$\frac{\text{Operating Profit}}{\text{Revenue}}$
Return on Assets (ROA) (%)	Indicates how profitable a company is in relation to its total assets.	$\frac{\text{Net Income}}{\text{Total Assets}}$

Return on Capital Employed (ROCE) (%)	Measures a company's profitability in terms of all of its capital.	$\frac{\text{Earnings before interest and tax}}{\text{Capital Employed}}$
Return on Equity (ROE) (%)	A measure of financial performance calculated by dividing net income by shareholders' equity.	$\frac{\text{Net Income}}{\text{Average Shareholders' Equity}}$
Current Ratio	It is a liquidity ratio that measures a company's ability to pay short-term obligations or those due within one year.	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$
Quick Ratio	Again, an indicator of a company's short-term liquidity position and measures a company's ability to meet its short-term obligations with its most liquid assets .	$\frac{CA - I - PE}{CL}$ <p>Where: CA = Current Assets I = Inventory PE = Prepaid Expenses CL = Current Liabilities</p>
Interest Cover	It is a debt and profitability ratio used to determine how easily a company can pay interest on its outstanding debt.	$\frac{\text{Earnings before interest and tax}}{\text{Interest Expense}}$
Dividend/share (\$)	Represents the sum of declared dividends issued by a company for every ordinary share outstanding.	$\frac{D - SD}{S}$ <p>Where: D = Sum of dividends over a period SD = Special, one-time dividends for the period S = Ordinary shares outstanding for the period</p>
Dividend Growth (%)	The annualized percentage rate of growth that a particular stock's dividend undergoes over a period of time.	$\frac{D_2 - D_1}{D_1}$ <p>Where: D_1 = Dividend paid in previous year D_2 = Dividend paid in current year</p>
Dividend Cover (%)	It is the ratio of the total amount of dividends paid out to shareholders relative to the net income of the company.	$\frac{\text{Dividend Paid}}{\text{Net Income}}$
Price Target (\$)	Analysts' expectation of long-term price target for the share.	N/A
Est. Long Term Growth Rate (%)	Long-term expected growth rate for the share price.	N/A

