

Report: Identifying Undervalued Companies Using Finviz

Introduction

Tasked with identifying undervalued companies using Finviz, this analysis was conducted based on specific financial metrics and projected future values using **Comparable Company Analysis**. This report outlines the analysis process and includes a brief explanation of the additional variables considered, justifying their impact on each company's value.

Objective:

- i. To find profitable companies that are cheap in comparison to the amount of profits they bring in.
- ii. To find Profitable but undervalued stocks compared to the rest of the Stock Market

Data Collection

Using Finviz, initial screening was carried out based on the following criteria:

- **Market Cap of 300 million – 2 billion-** This shows the size of the company. Using a range of 300 m- 2 billion to filter out companies that may be too small as they can be very volatile.
- **P/E under 15%-** The price to earnings ratios which tells how valued or undervalued a company is. A low P/E and high Market Cap may suggest undervaluation.
- **P/B under 1-** Price to book ratio which indicates if a stock is trading below its book value (which may suggest undervaluation).
- **EPS (next 5 years) over 10% -** The Earnings Per Share, which indicates how much profit a company has earned per share of its stock.
- **Current ratio over 1.5-** This metric was added to protect against liquidity. It ensures the company selected has enough cash to pay off debts.
- **Debt to equity under 1**

A Secondary screening was then done using:

- **ROA over 5%-** This shows companies that are making good utilizations of their assets.
- **Gross margin over 20% -** This shows how much money a company makes from its products or services minus the cost of production

Using these filtered parameters, four companies that may be undervalued were identified:

- | | |
|--------------------------------------|-----------------------------|
| i. Vital Energy Inc. (VTLE) | iii. Safe Bulkers Inc. (SB) |
| ii. Global Shipping Lease Inc. (GSL) | iv. EZCorp Inc. (EZPW) |

Data on each company's gross profit (GP) and gross profit growth (GPG) was retrieved and for each of these companies, similar data was retrieved for other companies in the same sector.

Comparative Analysis

The GP and GPG of each company and their sector peers were compared to evaluate their relative performance. This comparative analysis provides insight into whether these companies are undervalued based on their financial metrics relative to their peers.

Below is a Spreadsheet containing the Peer analysis for each company:

Company Peer Analysis

Findings From the Company Peer Analysis:

- i. Vital Energy's gross profit (\$698.29 M) is significantly higher than its peer average (\$213.33 M), indicating a strong revenue base. However, it has a low gross profit growth (4.54%) compared to its peer average (7.14%), suggesting slower growth.
 - **Implication:** The lower growth rate could imply that VTLE is facing challenges in expanding its revenue or controlling its costs compared to its peers.
- ii. Global Shipping Lease has a gross profit (\$392.57 M) lower than the peer average (\$492.59 M), indicating that its current revenue is lower compared to similar companies in the sector. However, it has a gross profit growth (3.23%) slightly higher than the peer average (3.03%), suggesting that GSL is growing its gross profit at a faster rate than its peers.
 - **Implication:** The lower gross profit indicates that GSL is operating at a smaller scale or with higher costs compared to its peers. While the higher gross profit growth rate is a positive sign, indicating that GSL has the potential to catch up or even surpass its peers in terms of gross profit in the future.
- iii. Safe Bulkers has a significantly lower gross profit (\$132.57 M) than its peer average (\$285.76 M), indicating it generates less revenue from core operations. It also has a lower gross profit growth (10.95%) than its peer average (15.01%), suggesting slower revenue growth compared to its sector peers.
 - **Implications:** Slower growth could be due to market conditions, competitive pressures, or internal issues. Investing in SB involves a higher risk, but if the company has strategies such as cost reduction, fleet modernization, or market expansion, these efforts could improve its future gross profit and growth rate.
- iv. EZCORP's gross profit (\$615.36 M) is significantly higher than the peer average (\$146.24 M), indicating strong revenue generation abilities. It also has gross profit growth (6.52%) significantly higher than its peer average (1.93%), suggesting good growth potential and
 - **Implications:** The strong GP and GPG metrics suggest that EZCORP is performing better than its peers. If the market has not fully recognized this superior performance, EZCORP may be undervalued, presenting an attractive investment opportunity.

Valuation Model

Using the **Comparable Company Analysis** method, the following steps and assumptions were made:

- I. **Projected future Gross Profit for each company was calculated Over the Next Four Years**

Using the formula:

$$\text{Future GP} = \text{Current GP} \times (1 + \text{GPG})^n$$

Where n= Number of years

- II. **The Projected Earnings were calculated as a percentage of the Gross Profit:**

- Assume earning margins 10% of GP

- III. **And the Projected Market Value was obtained Using P/E Ratio:**

Formula:

$$\text{Projected Market Value} = \text{Projected Earnings} \times \text{Average P/E Ratio}$$

Company Analysis

COMPANY 1: Vital Energy Inc. (Energy Sector)

Industry: Oil & Gas E&P

Data: Gross Profit (GP) and Gross Profit Growth (GPG) of VTLE and its sector peers

GP (\$M)	GPG	Peer Avg GP	Peer Avg GPG	Peer Avg P/E
\$698.29 M	4.54%	\$213.33 M	7.14%	58.95

Model: Projected VTLE values for 4 years

calculated using the future GP, Earning margin of 10% and P/E Ratio of 58.95

	Current	Year 1	Year 2	Year 3	Year 4
GP	698.29	729.99	763.13	797.78	834.00
Projected Earnings	69.83	73.00	76.31	79.78	83.40
Market Values	\$4,116.48 M	\$4,303.35 M	\$4,498.47 M	\$4,703.03 M	\$4,916.43 M

Since the Future Market value (\$4,916.43 M) is relatively higher than the Current Market value (\$4,116.48 M), Vital Energy Inc. is currently Undervalued.

Table 3: Comparison of Current and Projected Market Values			
Company	Current Market Value	Projected Market Value	Undervalued?
Vital Energy Inc.	\$ 4,116.47 M	\$ 4,916.43 M	Yes

Additional Variables: Historical Downtrend and Recent Market Sentiment

Source: [Historical Downtrend and Recent Market Sentiment](#)

- Impact: Adjust GPG down by 1% to account for historical performance issues and increase P/E ratio by 1 for improved market sentiment.
- Adjusted GPG: 3.54%
- Adjusted P/E: 2.91
- Adjusted Avg P/E: 58.95
- Adjusted Projected Market Cap: \$4,730.74 million

Additional Variable Impact Analysis						
Additional Variable	Adjusted GPG (%)	Adjusted Year 4 GP (\$M)	Adjusted projected earnings	Projected Market Value (\$M)	Change in Market Value	Impact on Valuation
Historical downtrend and recent positive stock change	3.54	802.54	80.25	\$4730.74 M	- \$185.93 M	Negative

Justification:

- The historical downtrend suggests that the company may continue to face challenges, while the recent market sentiment indicates a potential positive shift in perception. Factoring these into the analysis a, it is clear that despite the recent market sentiments, the historical downtrend still strongly influences the valuation by causing a decrease in Market value by \$185.93M.

COMPANY 2: Global Shipping Lease Inc. (GSL)

Industry: Rentals & Leasing

Data: Gross Profit (GP) and Gross Profit Growth (GPG) of GSL and its sector peers

GP	GPG	Peer Avg GP	Peer Avg GPG	Peer Avg P/E
\$ 392.57 M	3.23%	\$492.59 M	3.03%	22.09

Model: Projected GSL Market values for 4 years

calculated using the future GP, Earning margin of 10% and Avg P/E Ratio of 22.09

	Current	Year 1	Year 2	Year 3	Year 4
GP	392.57	405.25	418.34	431.85	445.80
Projected Earnings	39.26	40.53	41.83	43.19	44.58
Market Values	\$867.25 M	\$895.31 M	\$924.02 M	\$954.07 M	\$984.77 M

Since the Future Market value (\$984.77 M) is relatively higher than the Current Market value (\$867.25 M), Global Shipping Lease Inc. is currently Undervalued.

Table 3: Comparison of Current and Projected Market Values			
Company	Current Market Value	Projected Market Cap	Undervalued?
GSL Inc.	\$867.25 M	\$984.77 M	YES

Additional Variables: Credit Rating Upgrades

Source: On June 26, 2024, Global Ship Lease announced credit rating upgrades ([GlobeNewswire](#)).

- Impact: Increase GPG by 1% to reflect improved financial health.
- Adjusted GPG: 4.23%
- Adjusted Projected Market Cap: \$1,023.43 million

Additional Variable Impact Analysis						
Additional Variable	Adjusted GPG (%)	Adjusted Year 4 GP (\$M)	Adjusted projected earnings	Projected Market Value (\$M)	Change in Market Value (\$M)	Impact on Valuation
Credit Rating Upgrades	4.23	463.33	46.33	\$1,023.43 M	\$74.66 M	Positive

Justification:

- Factoring this variable into the analysis shows a positive increase in market value by \$74.66 M. This shows improved financial health and reduced risk associated with the credit rating upgrade which will likely enhance investor confidence and market perception.

COMPANY 3: Safe Bulkers Inc. (SB)

Industry: Marine Shipping

Data: Gross Profit (GP) and Gross Profit Growth (GPG) of SB and its sector peers

GP	GPG	Peer Avg GP	Peer Avg GPG	Peer Avg P/E
\$ 132.45 M	10.95%	\$285.76 M	15.01%	47.02

Model: Projected SB values for 4 years

calculated using the future GP, Earning margin of 10% and P/E Ratio of 47.02

	Current	Year 1	Year 2	Year 3	Year 4
GP	132.45	147.05	163.16	181.02	200.84
Projected Earnings	13.25	14.71	16.32	18.10	20.08
Market Values	\$623.02 M	\$691.66 M	\$767.36 M	\$851.06 M	\$944.16 M

Since the Future Market value (\$944.16 M) is relatively higher than the Current Market value (\$623.02 M), Safe Bunker Inc. is currently Undervalued.

Table 4: Comparison of Current and Projected Market Values			
Company	Current Market Value	Projected Market value	Undervalued?
Safe Bunkers Inc.	\$623.02 M	\$944.16 M	Yes

Additional Variables: Acquisition of Vessels

Source: Safe Bulkers, Inc. Announces Agreement for the Acquisition of One Japanese Kamsarmax Class Dry-bulk Vessel ([GlobeNewswire](#)) +6.88%

- Impact: Increase GPG by 5% to reflect expansion strategy.
- Adjusted GPG: 15%
- Adjusted Projected Market Cap: \$1,008.39 million

Additional Variable Impact Analysis						
Additional Variable	Adjusted GPG (%)	Adjusted Year 4 GP (\$M)	Adjusted projected earnings	Adjusted Projected Market Value (\$M)	Change in Market Value (\$M)	Impact on Valuation
Acquisition of Vessels	15	231.81	23.18	\$1,089.92 M	\$145.76 M	positive

Justification:

- The acquisition of new vessels aligning with the company's growth strategy positively influences the company's future valuation by increasing Market value by \$145.76 M. It is an indicator of possible future expansions and strong future financial performance.

COMPANY 4: EZCorp Inc. (EZPW)

Industry: Credit Services

Data: Gross Profit (GP) and Gross Profit Growth (GPG) of EZPW and its sector peers

GP	GPG	Peer Avg GP	Peer Avg GPG	Peer Avg P/E
\$ 615.36 M	6.52%	\$146.24 M	1.93%	44.73

Model: Projected EZPW values for 4 years

calculated using the future GP, Earning margin of 10% and P/E Ratio of 37.83

	Current	Year 1	Year 2	Year 3	Year 4
GP	615.36	655.48	698.22	743.74	792.23
Projected Earnings	61.54	65.55	69.22	74.37	79.22
Market Values	\$2,752.68 M	\$2,932.05 M	\$3,096.21 M	\$3,326.57 M	\$3,543.51 M

Since the Future Market value (\$3,543.51 M) is relatively higher than the Current Market value (\$2,752.68 M), EZCORP Inc. is currently Undervalued.

Comparison of Current and Projected Market Values			
Company	Current Market Value	Projected Market value	Undervalued?
EZCORP Inc.	\$2,752.68 M	\$3,543.51 M	Yes

Additional Variables: Positive Earnings Results and Projected Growth

Sources: "[Sixfold Fortunes: 3 Bargain Stocks Set for 6X Gains by 2030](#)" , "[EZCORP Inc \(EZPW\) Q2 Fiscal 2024 Earnings: Surpasses Revenue Forecasts with Record Results](#)"

- Impact: Increase GPG by 2% to reflect strong operational performance.
- Adjusted GPG: 8%
- Adjusted Projected Market Cap: \$3,963.97 million

Additional Variable Impact Analysis						
Additional Variable	Adjusted GPG (%)	Adjusted Year 4 GP (\$M)	Adjusted projected earnings	Projected Market Value (\$M)	Change in Market Value	Impact on Valuation
Positive Earnings Results and Growth	8	886.17	88.62	\$3,963.97 M	\$420.46 M	Positive

Justification:

- The company's consistent record of surpassing revenue and earnings forecasts suggests strong operational performance and management effectiveness. Factoring this into the variable analysis, there is a positive increase in Market Value by \$420.46 M which can lead to higher investor confidence and increased future valuations.

Conclusion

The analysis suggests that Vital Energy Inc. (VTLE), Global Shipping Lease Inc. (GSL), Safe Bulkers Inc. (SB), and EZCorp Inc. (EZPW) are currently undervalued based on their projected future market values. Additional variables such as positive earnings results, acquisition of vessels, credit rating upgrades, and market sentiment were factored into the valuation models to provide a more comprehensive assessment of each company's future potential.

Here's a link to the full Valuation and Variable Impact Analysis:

[Valuation and Variable Impact Analysis](#)