

Introduction

- 1- What is fundamental analysis?
- 2- Do I need to know a lot of finance and accounting to conduct a fundamental analysis?
- 3- For what exactly do we use the fundamental analysis?
- 4- Why Technical Analysis works better than fundamental analysis when determining to buy or sell a stock?
- 5- How to use Yahoo Finance to conduct a fundamental analysis?

What is fundamental analysis?

Fundamental analysis is a method of measuring a company's intrinsic value by examining internal and external factors. Internal factors can be determined by analyzing a company's financial statements, while external factors can be determined by analyzing macroeconomic data.



Fundamental analysis of Coca-Cola



Internal factors

Coca-Cola's Financial Statements



External factors

Non-alcoholic beverages growth rate



Interest rates, inflation, population, purchasing power



Do we need to know about finance to conduct a fundamental analysis:

Finance Background?

- All you need is a basic understanding of accounting terminology



4. For what exactly do we use the fundamental analysis

For what do we do a fundamental analysis?

- To determine the in **WHAT**



Selecting the best Ice Cream shop



Growth Sales
Rank #1



Growth Profit
Rank #3



Growth Equity
Rank #1



Growth Sales
Rank #2

Growth Profit
Rank #2

Growth Equity
Rank #3



Growth Sales
Rank #3

Growth Profit
Rank #1



Growth Equity
Rank #2

What?



- Growing faster than the competition

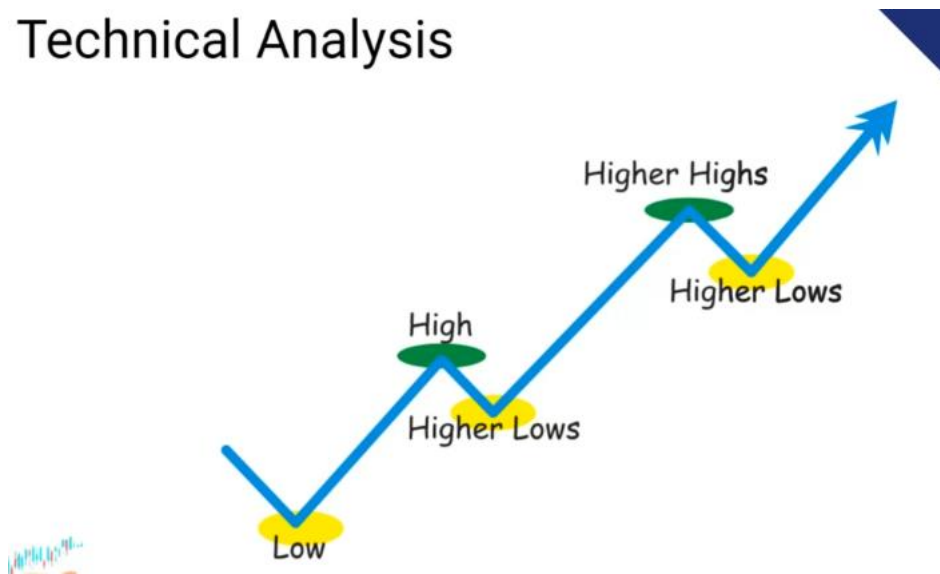
5. Technical analysis vs. fundamental analysis:

Technical vs. Fundamental Analysis

- Technical **WHEN**
- Fundamental **WHAT**



Technical Analysis



6. How to use Yahoo Finance to conduct a fundamental analysis

How to use Yahoo Finance?

- Free platform

yahoo! finance

Build A Career In Forex Trading - X					
The Coca-Cola Company (KO) Inc X					
Google X +					
finance.yahoo.com/quote/KO/financials?p=KO					
Search for news, symbols or companies					
Income Statement All numbers in thousands Expand All					
Breakdown	TTM	12/30/2021	12/30/2020	12/30/2019	12/30/2018
> Total Revenue	41,322,000	38,655,000	33,014,000	37,266,000	31,856,000
Cost of Revenue	16,986,000	15,357,000	13,433,000	14,619,000	11,770,000
Gross Profit	24,336,000	23,298,000	19,581,000	22,647,000	20,086,000
> Operating Expense	12,732,000	12,259,000	9,856,000	12,378,000	10,745,000
Operating Income	11,604,000	11,039,000	9,725,000	10,269,000	9,341,000
> Net Non Operating Interest Inc...	-438,000	-1,321,000	-1,067,000	-383,000	-237,000
> Other Income Expense	620,000	2,707,000	1,091,000	900,000	-754,000
Pretax Income	11,786,000	12,425,000	9,749,000	10,786,000	8,350,000
Tax Provision	2,168,000	2,621,000	1,981,000	1,801,000	1,623,000
> Net Income Common Stockhold...	9,571,000	9,771,000	7,747,000	8,920,000	6,434,000
Diluted NI Available to Com Stock...	9,571,000	9,771,000	7,747,000	8,920,000	6,434,000
Basic EPS	-	2.26	1.80	2.09	1.51
Diluted EPS	-	2.25	1.79	2.07	1.50

People /

Symbol

PG
The Procter

DIS
The Walt Di

JNJ
Johnson & J

VZ
Verizon Cor

JPM
JPMorgan C

Similar t

Symbol

PEP


Normalized Income	10,622,076	10,347,759	8,327,216
Interest Income	317,000	276,000	370,000
Interest Expense	755,000	1,597,000	1,437,000
Net Interest Income	-438,000	-1,321,000	-1,067,000
EBIT	12,541,000	14,022,000	11,186,000
EBITDA	13,890,000	-	-
Reconciled Cost of Revenue	16,986,000	15,357,000	13,433,000
Reconciled Depreciation	1,349,000	1,452,000	1,536,000
Net Income from Continuing Oper...	9,571,000	9,771,000	7,747,000
Total Unusual Items Excluding Goo...	-1,288,000	-731,000	-728,000
Total Unusual Items	-1,288,000	-731,000	-728,000
Normalized EBITDA	15,178,000	16,205,000	13,450,000
Tax Rate for Calcs	0	0	0
Tax Effect of Unusual Items	-236,924	-154,241	-147,784

2. Financial Statements:

1. What is the income statement and how can it help our fundamental

Income Statement

- How the company makes money
- Revenues, Expenses, Net Income



(Patriot, 2017)

Breakdown	TTM	6/29/2022	3/30/2022	12/30/2021	9/29/2021
> Total Revenue	41,322,000	11,325,000	10,491,000	9,464,000	10,042,000
Cost of Revenue	16,986,000	4,830,000	4,091,000	4,088,000	3,977,000
Gross Profit	24,336,000	6,495,000	6,400,000	5,376,000	6,065,000
> Operating Expense	12,732,000	3,222,000	2,995,000	2,973,000	3,167,000
Operating Income	11,604,000	3,273,000	3,405,000	2,403,000	2,898,000
> Net Non Operating Interest Inc...	-438,000	-98,000	-104,000	-94,000	-142,000
> Other Income Expense	620,000	-891,000	157,000	651,000	328,000
Pretax Income	11,786,000	2,284,000	3,458,000	2,960,000	3,084,000
Tax Provision	2,168,000	384,000	665,000	510,000	609,000
> Net Income Common Stockhold...	9,571,000	1,905,000	2,781,000	2,414,000	2,471,000
Diluted NI Available to Com Stock...	9,571,000	1,905,000	2,781,000	2,414,000	2,471,000

Total Revenue:

- All the money that came into company based on sales.

Cost of Revenue:

- Cost related to generate the coca cola
(Glass, water, sugar, rent, manpower that directly work)

Gross Profit:

- Total Revenue – cost of revenue

Operating Expenses:

- Advertisement, employee that directly not work marketing HR, CEO, etc.

Operating Income:

- Gross Profit – Operating Expenses

Pretax Income:

- When we subtract all the interest to bank from Operating Income
- Operating Income – Interest

Net income:

- After Paying taxes we real the real income
- Pretax Income – Tax Provision

2. What is the balance sheet and how can it help the fundamental analysis

Balance Sheet

- How the are the company's current possessions
- Assets, liabilities, owners equity



Assets:

- Factories, cash, Intellectual Property, Trucks,
- Current Assets: (Cash, Money, quick to liquidate less than a year)
- This is good. If they are holding a lot of cash which is not good because this will not generate extra money.
- Non-Current Assets: Buildings, goodwill

Liabilities:

- Debt they have to pay, ticket that airline makes,
- They need to pay to banks, Trips,
- We don't need a lot of liabilities

Show: [Income Statement](#) | **Balance Sheet** | [Cash Flow](#)

Balance Sheet

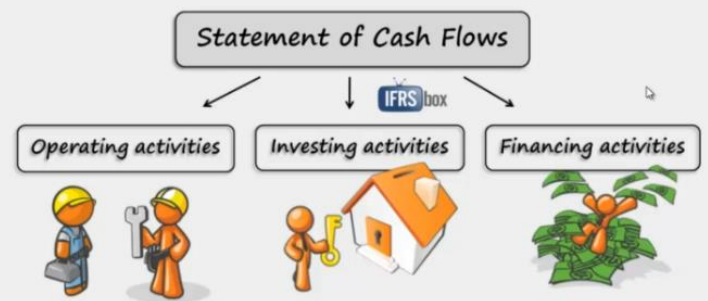
All numbers in thousands

Breakdown	12/30/2021	12/30/2020	12/30/2019	12/30/2018
> Total Assets	94,354,000	87,296,000	86,381,000	83,216,000
> Total Liabilities Net Minority Int...	69,494,000	66,012,000	65,283,000	64,158,000
> Total Equity Gross Minority Inte...	24,860,000	21,284,000	21,098,000	19,058,000
Total Capitalization	61,115,000	59,424,000	46,497,000	42,345,000
Common Stock Equity	22,999,000	19,299,000	18,981,000	16,981,000
Net Tangible Assets	-11,614,000	-9,251,000	-7,785,000	-289,000
Working Capital	2,595,000	4,639,000	-6,562,000	1,411,000
Invested Capital	65,760,000	62,092,000	61,744,000	60,536,000
Tangible Book Value	-11,614,000	-9,251,000	-7,785,000	-289,000
Total Debt	42,761,000	42,793,000	42,763,000	43,555,000
Net Debt	33,077,000	35,998,000	36,283,000	34,629,000
Share Issued	7,040,129	7,040,129	7,040,129	7,040,129

3. What is the cash flow statement of and how can it help our fundamental analysis

Statement of Cash Flows

- How the company gets and uses its cash
- Cash



Operating Activities:

- Operating activities is good if positive. Negative means that company is investing more to the operating activities
- Same as net income

Investing Activities

Financing Activities

- If pays dividend it is positive

Show: [Income Statement](#) | [Balance Sheet](#) | **Cash Flow**

Annual | [Quarterly](#)

Cash Flow

All numbers in thousands

[↗ Expand All](#)

Breakdown	TTM	12/30/2021	12/30/2020	12/30/2019	12/30/2018
➤ Operating Cash Flow	11,646,000	12,625,000	9,844,000	10,471,000	7,627,000
➤ Investing Cash Flow	-5,663,000	-2,765,000	-1,477,000	-3,976,000	5,927,000
➤ Financing Cash Flow	-5,774,000	-6,786,000	-8,070,000	-9,004,000	-10,347,000
➤ End Cash Position	9,717,000	10,025,000	7,110,000	6,737,000	9,318,000
Capital Expenditure	-1,404,000	-1,367,000	-1,177,000	-2,054,000	-1,347,000
Issuance of Capital Stock	1,012,000	702,000	647,000	1,012,000	1,476,000
Issuance of Debt	5,598,000	13,094,000	26,934,000	23,009,000	27,339,000
Repayment of Debt	-2,725,000	-12,866,000	-28,796,000	-24,850,000	-30,568,000
Repurchase of Capital Stock	-1,217,000	-111,000	-118,000	-1,103,000	-1,912,000
Free Cash Flow	10,242,000	11,258,000	8,667,000	8,417,000	6,280,000

3. Metrics to analyses businesses

1. Understanding the business cycle for the fundamental analysis

Fundamental Analysis Metrics

- 9 - Business cycle
- 10- Valuation & Performance Metrics
- 11- Growth & Financial Strengths Metrics

Business Cycle

- Growth 
- Maturity 
- Decline 

Airbnb - growth

- Rapid Sales growth (+10%)
- Not always giving a profit



Financial **lit**

Hilton - maturity

- Slow or constant sales and net income growth (-10%)
- Obtaining a profit



Fi

Red Lion Hotels - decline

- Constant decline on sales
- Obtaining a losses or low profits



Hilton - maturity

- Slow or constant sales and net income growth (-10%)
- Obtaining a profit



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2. Valuation & performance metrics for fundamental analysis

Valuation & Performance Metrics

- P/S ratio
- P/B ratio
- P/E ratio
- ROA
- Free cash flows

P/S (price to sales)



Price/Sales (ttm)

20.92

21.10

17.68

14.62

18.86



mastercard

Price/Sales (ttm)

20.51

19.52

18.17

15.47

18.58



Price to Sales = Market Price Per share /
Revenues Per Share

P/B (price to book)



Price/Book (mrq)

55.60

52.16

55.00

41.15

60.78



mastercard

Price/Book (mrq)

14.28

14.06

14.12

11.90

14.26



↳

Price to Book Value = $\frac{\text{Market Price Per share}}{\text{Book Value Per Share}}$

Lower the better

P/E (price to earnings)

VISA

Forward P/E ¹

37.04

34.25

32.15

28.74

30.12



mastercard

Forward P/E ¹

39.68

38.02

44.44

31.15

32.89



$$\text{P/E Ratio} = \frac{\text{Market value per share}}{\text{Earnings per share}}$$

ROA (return on assets)

VISA

Return on Assets (ttm)

11.50%



mastercard

Return on Assets (ttm)

18.35%



$$\text{Return on Assets} = \frac{\text{Net Income}}{\text{Total Assets}}$$

Free Cash Flows

VISA

Operating Cash Flow (ttm)

10.44B

Levered Free Cash Flow (ttm)

8.23B



mastercard

Operating Cash Flow (ttm)

7.95B

Levered Free Cash Flow (ttm)

6.75B



$$\text{FCF} = \text{Operating Cash Flow} - \text{Capital Expenditures}$$

where:

FCF = Free Cash Flow

3. Growth and financial strength metrics for fundamental analysis

PEG ratio



PEG Ratio (5 yr expected) ¹

2.73

2.35

2.37

2.01

2.06



mastercard

PEG Ratio (5 yr expected) ¹

1.96

1.70

3.00

2.08

2.03



$$\text{PEG} = \frac{\text{P/E}}{\text{EPS Growth}}$$

Current ratio



Current Ratio (mrq)

1.90



mastercard

Current Ratio (mrq)

1.86



$$\text{Current Ratio} = \frac{\text{Current assets}}{\text{Current liabilities}}$$

Valuation Measures⁴

Market Cap (intraday)	259.05B
Enterprise Value	289.33B
Trailing P/E	27.23
Forward P/E	23.04
PEG Ratio (5 yr expected)	3.34
Price/Sales (ttm)	6.31
Price/Book (mrq)	11.26
Enterprise Value/Revenue	7.00
Enterprise Value/EBITDA	20.83