

Financial Analysis Essentials

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What is Financial Analysis?

Financial analysis is the process of examining a company's financial data to understand its performance and make decisions (like buying or selling the stock).

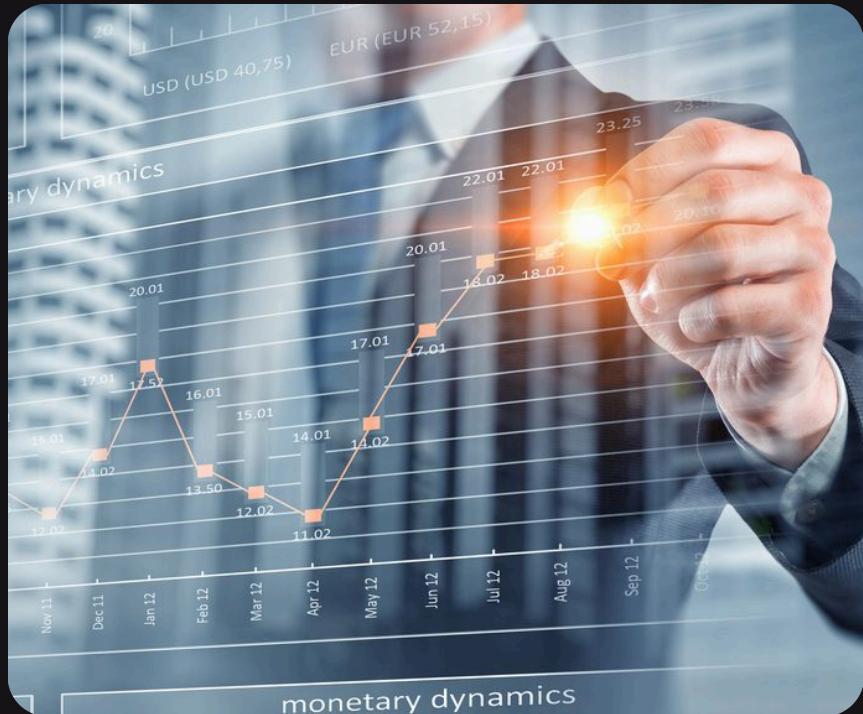


Key Focus Areas

- Looking at **income** (money coming in).
- Checking **expenses** (money going out).
- Measuring **profitability** (how much money is left after costs).
- Assessing **assets** (what a company owns) and **liabilities** (what it owes).
- Looking at current **news** (of how the company is faring)

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Purpose

- To find out if a company is doing well or struggling
- To decide whether to invest in it or not
- To help businesses improve and grow

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Common Tools

- Company stock price data and trends
- Fundamental indicators, like profit margin, price-to-earnings ratio, debt-to-equity ratio
- Recent company events, news, earnings call reports

Key Concepts - Stock Price Indicators

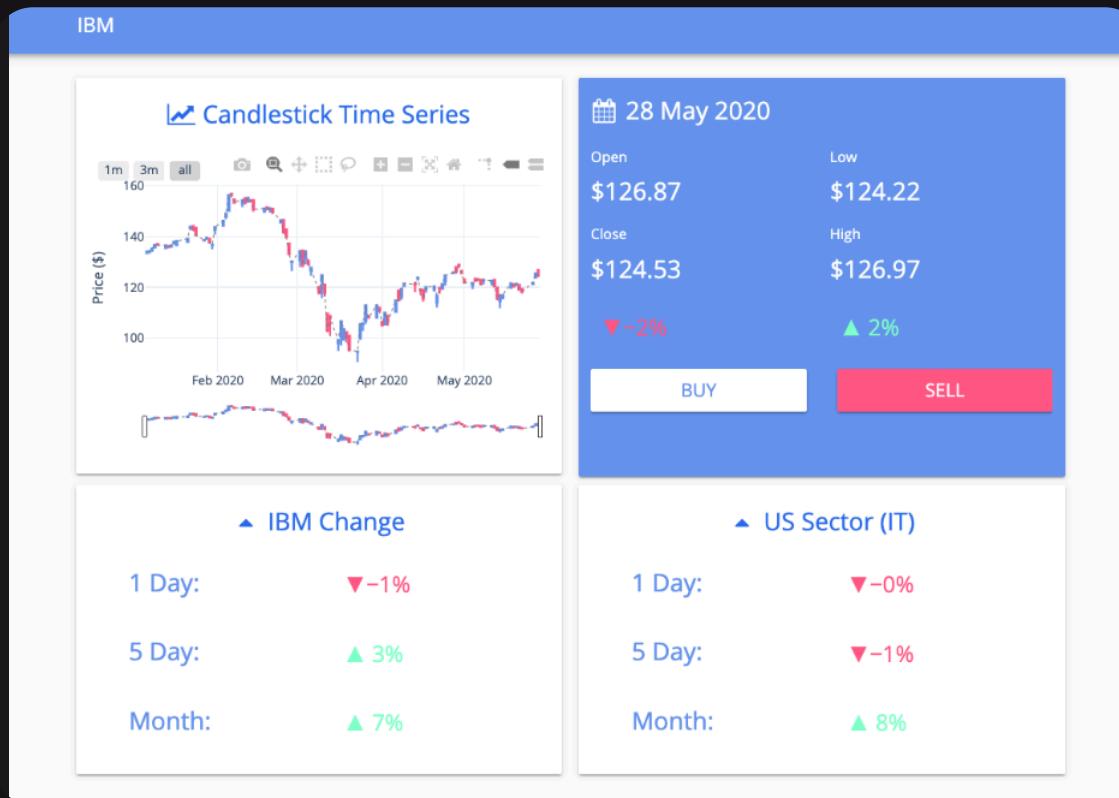
Microsoft Corp \$46.41		+0.37
Last trade	46.41	
Trade time	Sep 26 04:00 PM Eastern Daylight Time	
Change	0.37 (0.80%)	
Prev close	46.04	
Open	45.93	
Bid	46.39	
Ask	46.40	

 Investopedia

Stock Price Quote

- Purpose
 - Fetches the latest stock price information
- Data Retrieved
 - Includes details like the current price, previous close (`prev_close`), change in price (`change`), percentage change (`change_percent`), 52-week high (`year_high`), and 52-week low (`year_low`)
- Core Concept
 - Provides a snapshot of the stock's current market status, including recent performance metrics and key benchmarks

Key Concepts - Stock Price Indicators



Stock Price Performance

- **Purpose**
 - Calculates the stock's price performance over various time periods
- **Data Retrieved**
 - Includes metrics such as one-day, one-week, one-month, and year-to-date (**ytd**) performance, as well as six-month and one-year changes. It may also provide weekly and monthly volatility (**volatility_week**, **volatility_month**), trading volume (**volume**), average volume, and relative volume (**relative_volume**)
- **Core Concept**
 - Offers insights into how the stock's price has changed over different time frames, along with additional metrics like trading activity and market sentiment indicators (e.g., **analyst_score**)

Key Concepts - Stock Price Indicators

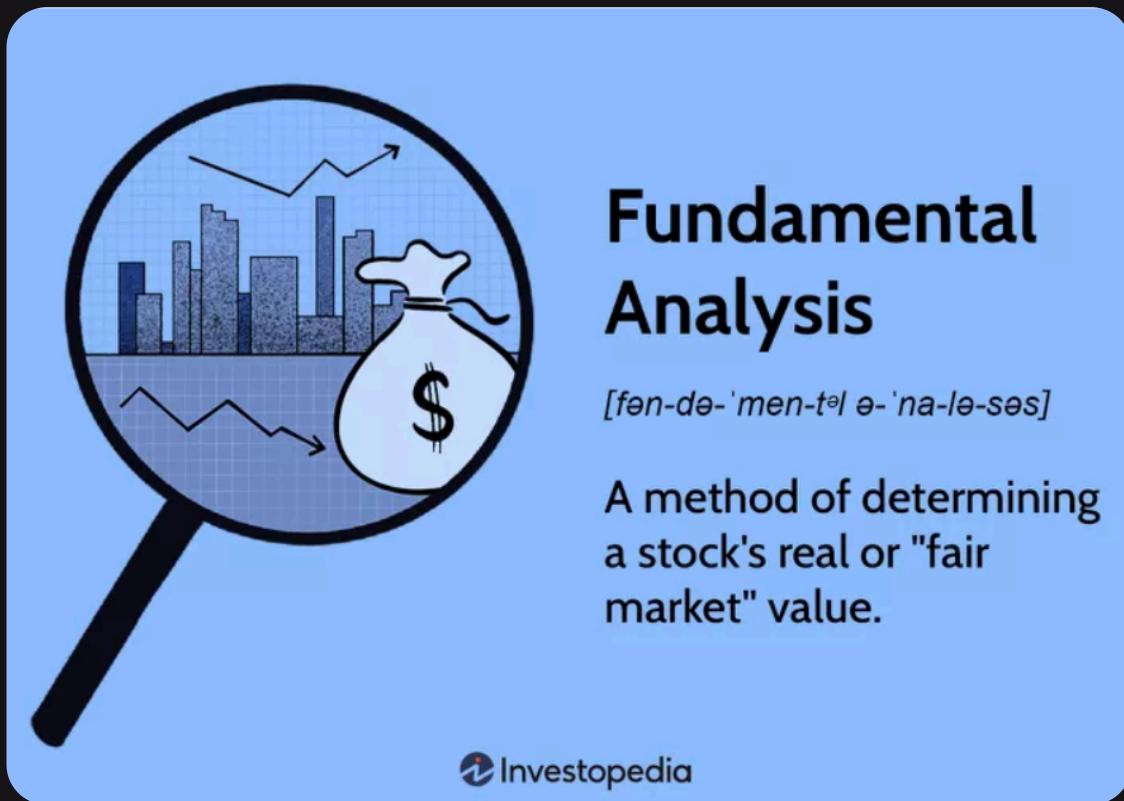
Stock Price Close and Volume by Date



Stock Price Historical Data

- **Purpose**
 - Retrieves historical price data for the stock
- **Data Retrieved**
 - Includes daily details such as the date, opening price (open), highest price (high), lowest price (low), closing price (close), and trading volume (volume)
- **Core Concept**
 - Provides a detailed view of the stock's performance over time, showing trends in price movements and trading activity that can help with historical analysis and forecasting.

Key Concepts - Stock Fundamental Analysis



What is Stock Fundamental Analysis?

- **Definition**
 - Fundamental analysis involves evaluating a stock's intrinsic value by analyzing financial statements, economic conditions, and company performance.
- **Purpose**
 - It helps investors determine whether a stock is overvalued or undervalued, guiding buy, hold, or sell decisions.
- **Key Focus**
 - Examines revenue, earnings, profit margins, and growth potential alongside broader industry and market conditions.
- **Goal**
 - To identify long-term investment opportunities by understanding a company's financial health and future prospects.

Key Concepts - Stock Fundamental Indicators & Metrics

Price-to-Earning Ratio (P/E Ratio)

Price-to-Sales Ratio (P/S Ratio)

Debt-to-Equity Ratio

Return on Equity (ROE)

Fundamental Ratios

- Financial Health Assessment
 - Provides key ratios like the Current Ratio, Quick Ratio, and Cash Conversion Cycle to evaluate a company's liquidity, operational efficiency, and short-term financial health.
- Profitability and Performance
 - Offers metrics such as Gross Profit Margin, Operating Profit Margin, and Return on Equity to analyze the company's profitability and how well it utilizes resources.

Key Concepts - Stock Fundamental Indicators & Metrics

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Fundamental Metrics

- Market Valuation and Growth Insights
 - Includes metrics like Market Capitalization, P/E Ratio, and Revenue Growth to determine the company's size, valuation, and growth potential.
- Operational Efficiency
 - Provides data on Gross Margin, Operating Margin, and Return on Assets to understand how effectively the company generates profit from its operations and assets.

Key Concepts - Stock Fundamental Indicators & Metrics

Category	Ratio	Formula
Profitability	Gross profit margin	$(\text{Revenue} - \text{Cost of Goods Sold}) / \text{Revenue}$
	Operating profit margin	$\text{Operating Income} / \text{Revenue}$
	Net profit margin	$\text{Net Income} / \text{Revenue}$
	Return on assets (ROA)	$\text{Net Income} / \text{Average Total Assets}$
	Return on equity (ROE)	$\text{Net Income} / \text{Average Shareholders' Equity}$
Liquidity	Current ratio	$\text{Current Assets} / \text{Current Liabilities}$
	Quick ratio	$(\text{Cash} + \text{Marketable Securities} + \text{Accounts Receivable}) / \text{Current Liabilities}$

Key Concepts - Stock Fundamental Indicators & Metrics

Category	Ratio	Formula
Solvency	Debt-to-equity ratio	Total Liabilities / Total Shareholders' Equity
	Debt-to-assets ratio	Total Liabilities / Total Assets
	Interest coverage ratio	Operating Income / Interest Expense
Efficiency	Asset turnover ratio	Revenue / Average Total Assets
	Inventory turnover ratio	Cost of Goods Sold / Average Inventory
	Receivables turnover ratio	Revenue / Average Accounts Receivable
Valuation	P/E	Market Price per Share / Earnings per Share
	Price-to-book (P/B)	Market Price per Share / Book Value per Share
	Price-to-sales (P/S)	Market Price per Share / Revenue per Share
	Dividend yield	Annual Dividends per Share / Market Price per Share

Key Concepts - Financial News & General Market Indicators



Importance of Financial News

- **Timely Information**
 - Financial news provides real-time updates on company earnings, mergers, acquisitions, and other significant events that can influence stock prices. Being aware of these developments allows investors to react promptly to market changes.

Key Concepts - Financial News & General Market Indicators



Importance of Financial News

- **Market Sentiment Analysis**
 - News articles and reports reflect the prevailing market sentiment, offering insights into investor attitudes and potential market movements. Understanding this sentiment helps in anticipating trends and making informed investment choices.

Key Concepts - Financial News & General Market Indicators



General Market Insights

- **Market Activity Overview**
 - Tracks the most actively traded stocks by volume, helping investors identify where market interest is concentrated. It also highlights the top gainers (stocks with the highest price increases) and top losers (stocks with the largest price declines), offering insights into potential opportunities and market sentiment shifts.

Key Concepts - Financial News & General Market Indicators



General Market Insights

- **Decision-Making Support**
 - Provides a quick snapshot of market dynamics, enabling investors to prioritize stocks for deeper analysis or immediate action. Monitoring these trends helps identify strong-performing sectors, undervalued opportunities, or potential risks.

Thanks