

## Stock Picking Assignment

COMM 101

Section 081

Grace Chen

## Part 1: Stock Screen

Filters: 5					Descriptive	Fundamental(5)	Technical	All(5)					
Exchange	<div>Any</div>	Index	<div>Any</div>	Sector	<div>Any</div>	Industry	<div>Any</div>	Country	<div>Any</div>				
Market Cap.	<div>Any</div>	P/E	<div>Under 15</div>	Forward P/E	<div>Any</div>	PEG	<div>Low (&lt;1)</div>	P/S	<div>Any</div>				
P/B	<div>Any</div>	Price/Cash	<div>Any</div>	Price/Free Cash Flow	<div>Any</div>	EPS growth this year	<div>Any</div>	EPS growth next year	<div>Any</div>				
EPS growth past 5 years	<div>Any</div>	EPS growth next 5 years	<div>Any</div>	Sales growth past 5 years	<div>Any</div>	EPS growth qtr over qtr	<div>Any</div>	Sales growth qtr over qtr	<div>Any</div>				
Dividend Yield	<div>Any</div>	Return on Assets	<div>Any</div>	Return on Equity	<div>Over +15%</div>	Return on Investment	<div>Any</div>	Current Ratio	<div>Over 2</div>				
Quick Ratio	<div>Any</div>	LT Debt/Equity	<div>Any</div>	Debt/Equity	<div>Under 1</div>	Gross Margin	<div>Any</div>	Operating Margin	<div>Any</div>				
Net Profit Margin	<div>Any</div>	Payout Ratio	<div>Any</div>	Insider Ownership	<div>Any</div>	Insider Transactions	<div>Any</div>	Institutional Ownership	<div>Any</div>				
Institutional Transactions	<div>Any</div>	Float Short	<div>Any</div>	Analyst Recom.	<div>Any</div>	Option/Short	<div>Any</div>	Earnings Date	<div>Any</div>				
Performance	<div>Any</div>	Performance 2	<div>Any</div>	Volatility	<div>Any</div>	RSI (14)	<div>Any</div>	Gap	<div>Any</div>				
20-Day Simple Moving Average	<div>Any</div>	50-Day Simple Moving Average	<div>Any</div>	200-Day Simple Moving Average	<div>Any</div>	Change	<div>Any</div>	Change from Open	<div>Any</div>				
20-Day High/Low	<div>Any</div>	50-Day High/Low	<div>Any</div>	52-Week High/Low	<div>Any</div>	Pattern	<div>Any</div>	Candlestick	<div>Any</div>				
Beta	<div>Any</div>	Average True Range	<div>Any</div>	Average Volume	<div>Any</div>	Relative Volume	<div>Any</div>	Current Volume	<div>Any</div>				
Price	<div>Any</div>	Target Price	<div>Any</div>	IPO Date	<div>Any</div>	Shares Outstanding	<div>Any</div>	Float	<div>Any</div>				
After-Hours Close	<div>Any</div>	After-Hours Change	<div>Any</div>							<div>Reset (5)</div>			
Overview	Valuation	Financial	Ownership	Performance	Technical	Custom	Charts	Tickers	Basic	TA	News	Snapshot	Stats

Screen Shot 1: Ratios utilized, captured from

[https://finviz.com/screener.ashx?v=111&f=fa\\_curratio\\_o2,fa\\_debteq\\_u1,fa\\_pe\\_u15,fa\\_peg\\_low,fa\\_roe\\_o15&ft=4](https://finviz.com/screener.ashx?v=111&f=fa_curratio_o2,fa_debteq_u1,fa_pe_u15,fa_peg_low,fa_roe_o15&ft=4)

Total: 13 #1

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No.	▲ Ticker	Company	Sector	Industry	Country	Market Cap	P/E	Price	Change	Volume
1	APT	Alpha Pro Tech, Ltd.	Industrials	Building Products & Equipment	Canada	165.44M	8.26	11.98	-1.64%	559,278
2	BIO	Bio-Rad Laboratories, Inc.	Healthcare	Medical Devices	USA	15.62B	4.58	535.07	2.26%	274,306
3	CANG	Cango Inc.	Communication Services	Internet Content & Information	China	964.13M	2.47	9.13	6.53%	143,134
4	DHT	DHT Holdings, Inc.	Energy	Oil & Gas Midstream	Bermuda	913.81M	2.88	5.28	-1.31%	1,914,380
5	ESCA	Escalade, Incorporated	Consumer Cyclical	Leisure	USA	297.72M	12.78	21.04	0.14%	24,741
6	FF	FutureFuel Corp.	Basic Materials	Chemicals	USA	530.25M	4.74	12.30	1.49%	77,562
7	GTN	Gray Television, Inc.	Communication Services	Broadcasting	USA	1.73B	7.71	17.95	-1.10%	303,020
8	INVA	Innoviva, Inc.	Healthcare	Biotechnology	USA	1.07B	5.60	10.85	2.75%	193,651
9	IRBT	iRobot Corporation	Technology	Consumer Electronics	USA	2.20B	14.66	79.13	1.03%	295,739
10	LAKE	Lakeland Industries, Inc.	Consumer Cyclical	Apparel Manufacturing	USA	156.70M	7.97	20.09	2.29%	201,812
11	PRDO	Perdoceo Education Corporation	Consumer Defensive	Education & Training Services	USA	788.47M	6.67	11.65	2.37%	145,080
12	VHC	VirnetX Holding Corp	Technology	Software - Infrastructure	USA	385.11M	1.39	5.50	1.48%	200,495
13	WOR	Worthington Industries, Inc.	Basic Materials	Steel	USA	2.89B	4.22	53.67	1.13%	59,977

Filters:
fa
curratio:o2
fa
debtq:u1
fa
pe:u15
fa
peg:low
fa
roe:o15

[export](#)

Filters: fa\_curratio:o2 fa\_debteq:u1 fa\_pe:u15 fa\_peg:low fa\_roe:o15

[export](#)

1

Screen Shot 2: Companies meet the requirements, captured from

[https://finviz.com/screener.ashx?v=111&f=fa\\_curratio\\_o2,fa\\_debteq\\_u1,fa\\_pe\\_u15,fa\\_peg\\_low,fa\\_roe\\_o15&ft=4](https://finviz.com/screener.ashx?v=111&f=fa_curratio_o2,fa_debteq_u1,fa_pe_u15,fa_peg_low,fa_roe_o15&ft=4)

For this stock screen, FinViz was used as the screener and the criteria we chose for the search were five ratios: Price to Earnings (P/E), Price to Earnings Growth (PEG), Return on Equity (ROE), Debt to Equity, and Current Ratio. As the result of making through each of the filters of our search, a total of thirteen companies met the criteria and amongst these companies, ten of them were located in America, with the remaining three located in Canada, China, and Bermuda respectively. There was no specific sector or industry found to be more beneficial than others since the sectors and industries related to each company varied.

For the five ratios chosen for the search, four categories were considered to provide a broader and more general understanding of the stocks' status.

For price ratios, we considered P/E and PEG ratios. We chose the P/E ratio because it could tell us the price of \$1 of earnings and since it was calculated from the most recent EPS value which could be used to estimate the value of EPS of next year. According to the historical statistics, we set our threshold under 15 since a lower P/ E ratio was considered worthy to invest. PEG ratio with a threshold under 1 was considered since it helped us to quickly determine if the stocks with considerable low P/ E ratios were justified and to find if any stocks were undervalued.

For profitability ratios, we chose an ROE ratio over 15% as our criteria since as investors or common shareholders, it was important to have an understanding of the ability of the management of a company to use the equity to produce profits for them, and ROE of 15% or higher was an acceptable examination of this ability.

For leverage ratios, since we were willing to invest in a company with relatively low riskiness, a Debt to Equity ratio that was lower than 1 was considered since the cost of long-term debt that was less than the cost of equity was favorable as evidence by abundant capital to run.

For liquidity ratios, since the current ratio is calculated by dividing current assets by current liabilities, which directly indicated the liquidity position of a company, a threshold of over 2 was set for favor according to the historical acceptable range between 2 and 3 on the course note.

Hence, considering all ratios listed above, these stocks found in the stock screen should be considered worthy to invest since we pay at a relatively low price for every \$1 of earnings, as these stocks were undervalued and these companies seemed to run permanently with enough capital and a relatively good liquidity positions.

## Part 2: Value Investing

Filters: 6											
Descriptive(1)			Fundamental(5)			Technical			All(6)		
Exchange	NYSE	Index	Any	Sector	Any	Industry	Any	Country	Any		
Market Cap.	Any	P/E	Low (<15)	Forward P/E	Any	PEG	Any	P/S	Any		
P/B	Low (<1)	Price/Cash	Any	Price/Free Cash Flow	Any	EPS growth this year	Over 20%	EPS growth next year	Any		
EPS growth past 5 years	Over 20%	EPS growth next 5 years	Over 20%	Sales growth past 5 years	Any	EPS growth qtr over qtr	Any	Sales growth qtr over qtr	Any		
Dividend Yield	Any	Return on Assets	Any	Return on Equity	Any	Return on Investment	Any	Current Ratio	Any		
Quick Ratio	Any	LT Debt/Equity	Any	Debt/Equity	Any	Gross Margin	Any	Operating Margin	Any		
Net Profit Margin	Any	Payout Ratio	Any	Insider Ownership	Any	Insider Transactions	Any	Institutional Ownership	Any		
Institutional Transactions	Any	Float Short	Any	Analyst Recom.	Any	Option/Short	Any	Earnings Date	Any		
Performance	Any	Performance 2	Any	Volatility	Any	RSI (14)	Any	Gap	Any		
20-Day Simple Moving Average	Any	50-Day Simple Moving Average	Any	200-Day Simple Moving Average	Any	Change	Any	Change from Open	Any		
20-Day High/Low	Any	50-Day High/Low	Any	52-Week High/Low	Any	Pattern	Any	Candlestick	Any		
Beta	Any	Average True Range	Any	Average Volume	Any	Relative Volume	Any	Current Volume	Any		
Price	Any	Target Price	Any	IPO Date	Any	Shares Outstanding	Any	Float	Any		
After-Hours Close	Any	After-Hours Change	Any								
Reset (6)											
Overview	Valuation	Financial	Ownership	Performance	Technical	Custom	Charts	Tickers	Basic	TA	News
	Snapshot										Stats
Total: 1 #1 <a href="#">save as portfolio</a>   <a href="#">create alert</a> Auto Refresh: 3min   <a href="#">off</a> <span>Page 1/1</span>											
No.	▲ Ticker	Company	Sector	Industry	Country	Market Cap	P/E	Price	Change	Volume	
1	CO	Global Cord Blood Corporation	Healthcare	Diagnostics & Research	Hong Kong	464.41M	6.40	4.05	6.02%	98,476	
Filters: exch:nyse fa_eps5years:o20 fa_epsyoy:o20 fa_estltgrowth:o20 fa_pb:low fa_pe:low <a href="#">export</a>											

Screen Shot 3: Stock screen of Global Cord Blood Corporation (NYSE: CO), captured from

[https://finviz.com/screener.ashx?v=111&f=exch\\_nyse,fa\\_eps5years\\_o20,fa\\_epsyoy\\_o20,fa\\_estltgrowth\\_20,fa\\_pb\\_low,fa\\_pe\\_low&ft=4](https://finviz.com/screener.ashx?v=111&f=exch_nyse,fa_eps5years_o20,fa_epsyoy_o20,fa_estltgrowth_20,fa_pb_low,fa_pe_low&ft=4)

According to the criteria in the notes, the Global Cord Blood Corporation (NYSE: CO) seemed to be a great company with a good price.

As a qualitative analysis, according to the research, Global Cord Blood Corporation was registered in the Cayman Islands and headquartered in Hong Kong. It is the first company that was approved by the National Health Commission and the People's Public of China to be engaged with this business since 2003, in China and the Asia Pacific regions, and the largest cord blood bank in China. Since its current market value is only \$464.41M, its size is considered small. Its business is relatively easy to understand- it provides the "umbilical cord blood storage services" with four key procedures: "Cord Blood Collection", "Cord Blood Processing", "Laboratory Testing" and "Cord Blood Cryopreservation" ([globalcordbloodcorp.com](http://globalcordbloodcorp.com)), in other words, the services provided by the company enable parents to store the cord blood stem cells for their newborn babies and test and store the donated cord blood stem cells. Its businesses include Beijing Municipality Cord Blood Bank, three provincial Cord Blood Bank, and cord banking operators in other regions in Asia. Since Global Cord Blood Corporation obtained the most advanced equipment and facilities in China, this company has a durable competitive advantage in the sector of Healthcare and in the industry of Diagnostics & Research ([Finviz.com](http://Finviz.com)). Also, its businesses can be considered as an annuity business since every day there will be newborns, hence a sustainable demand in storing and testing for newborns' cord stem cells, though the customers do not buy regularly. Its revenues, instead of directly relates to commodity price, it is related to the need of customers and the price of the service tends to remain unchanged. Hence, based on the qualitative analysis, this company is considered having a good value.

As a quantitative analysis, according to the public statements presented for three years: 2020, 2019, 2018, found on FinViz and Yahoo Finance with an end date of March 31<sup>st</sup> and a period length of 12 months,, this company is considered as self-funding since its total long-term liabilities reported as 0

for the current year and the past 2 years, which is favorable. Since its Gross Profit in 2020 was 85% of total revenue vs. 81% of total revenue in 2019 and 81% in 2018, it appears that the management is doing a better job of controlling the cost in 2020. The Operating Income was 45.77% of total revenue in 2020 vs. 38.68% of total revenue in 2019 and 29.88% in 2018, it again illustrates the management is making the correct operating decisions and is generating more profits from their main business activity. The Net Income of the company was \$470,717,000 in 2020, compared to \$291,124,000 in 2019 and \$237,098,000 in 2018, it is again a positive sign that this company is making more profits. Based on the analysis of its margins, it is revealed that this company has healthy profit margins as well as low cost. As a result of a search of filters with over 20% of EPS growth ratio for the past and next 5 years, and over 20% of EPS growth ratio the current year, since the value of EPS of Global Cord Blood Corporation in 2020 was \$3.87 vs. \$2.40 in 2019 and \$2.10 in 2018, it appears that it has a consistently growing EPS, which appears to be favorable. Another positive sign is it also has a consistently growing book value, which is evident in the book value per share of common shareholder's equity of \$15.45 in 2020, vs. \$11.58 in 2019, and \$9.24 in 2018 calculated from the data found in its balance statements. Since consistently increasing book value also indicates consistently increasing intrinsic values, as the result of a search that meets the criteria of P/B ratios below 1, Global Cord Blood Corporation is a good company with good value (Global Cord Blood Corporation (CO) Income Statement 2020).

With an average historical trading price at approximately \$4.20 during the most recent two months, the current price at \$4.05 is considered a relatively good price to buy with regard to its value of the company (Global Cord Blood Corporation (CO) Income Statement 2020).

### **Part3: Growth Investing**

According to the criteria in the notes, the iRobot Corporation seemed to be a great company with a good feature to invest in.

As a qualitative analysis, according to the research, iRobot Corporation was first founded in 1990 and headquartered in Bedford, MA. It also has offices in Pasadena, Canada, London, China, and Japan. As a company in the sector of technology, iRobot mainly focuses on designing and building robots to enable the idea of smart-home (30 Years of Robotics Expertise and Innovation.). Currently, it offers three series of products: Roomba- floor vacuuming robots; Braava- floor mopping robots; and Root robots designed for help to teach children how to code (irobot.com (n.d.)). As the idea of smart-home is getting more and more popular, and people spent more time due to the COVID-19 pandemic, the company's Roomba and Braava robots are expected to have a sufficient market potential to grow sales for the following years. iRobot is also considered promoting the development of goods into new goods since when tracing the company's historical milestone on the official website, it was found that every year a new model of robots is launched with new features (History (n.d.)). At the end of 2019, there were a total of 1,128 full-time employees (People (n.d.)) with 4 contract manufacturers and approximately 50 suppliers working together with iRobot (Climate Change (n.d.)), hence it is considered having a sizable research and development group. Since iRobot holds the No.1 rank in the Household Appliances/ Hardware industry group (Daily, I. B., & Detar, J. 2020), and since it had sold more than 30 million robots worldwide during the past 30 years (30 Years of Robotics Expertise and Innovation. (n.d.)), it is considered to have a best in the class sales organization. As the first company to introduce vacuuming robots in 2002 (History (n.d.)), with nearly 20 years of developing experience and good reviews of customers (Rae, H. 2020), iRobot should be entrenched in its industry, with a good customer orientation. The number of job changes in senior management is relatively small and with the main roles

of CEO, Chief Commercial Officer, Executive Vice President, Human Resources and Corporate Communications, and Chief Technology Officer all worked at iRobot for least 10 years, it is considered a positive sign that it has good management (Leadership Team (n.d.)). Another sign indicates it is a good growth company can be that it is not regulated by the government.

As a quantitative analysis, according to the public statements presented for four years: 2020, 2019, 2018, and 2017, found on FinViz and Yahoo Finance with a period end date of December 28th and a period length of 12 months, it has above-average profit margins, given by the current 47.6% of Gross Profit Margin and a net profit margin of 11.70%. It is considered as a low-cost operator since the Gross Profit is 48% of sales in 2020 vs. 45% in 2019 and 51% in 2018, since it is a technological company, it appears the management is trying to improve control of production costs. Another positive sign is its current ROE ratio of 22.5% which meets the criteria in the note. Since it now has a Current Ratio of 3.0, and a Quick Ratio of 2.2 (iRobot Corporation (IRBT) Stock Price, News, Quote & History. 2020), which both meet the criteria and indicate that it is working with a healthy capital.

Since iRobot is considered as a middle company with a market value of \$2.20B, with massive positive reviews from customers on Amazon, and other platforms, and the fact that the idea of smart-home is getting more and more popular, it is not hard to predict that iRobot will win a bigger market in the arise competitions in vacuuming robots using its abundant developing experience, great innovations and good customer orientation. Based all above, the company's sales is expected to grow 12.9% and the EPS is expected with a growth of 18.0% this year (Looking for a Growth Stock? (n.d.)).



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