

# Weekly Stock Scanner Result

## 20170904 to 20170910

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## 1 About the Stock Scanner

### 1.1 Model 1

There are ten criteria included in the stock scanner.

First of all, earnings per share (EPS) in the latest quarter should be up at least 25 % versus the same quarter a year ago. It may imply the profitability of the company of concern improved significantly. Diluted EPS excluding extraordinary items is used.

Secondly, earning per share in current quarter should be greater than zero. This ensures the company of concern is not losing money and increases the probability that the earning growth (criteria 1) may continue.

Thirdly, sales in the latest quarter should be up at least 25 % versus the same quarter a year ago. While EPS may be affected by number of shares outstanding and therefore may not reflect the whole picture of profitability, sales figure can strengthen the confidence that the company is indeed profitable.

After looking at quarterly data, a year-by-year earnings increase for each of the last 3 years is required. Meaning, EPS TTM (Trailing 12 months, i.e. the past 12 months) should be greater than EPS Y1. EPS Y1 should be greater than EPS Y2. And EPS Y2 should be greater than EPS Y3. This may imply the profitability of the company does not show a downtrend.

Apart from annual earnings increase, the average annual EPS growth rate should be at least 25 % over the last 5 years. It may imply the profitability of the company improved significantly over the years. Again diluted EPS excluding extraordinary items is used.

The next criteria is that the consensus earnings estimate for the next year should be higher than the current year. A consensus estimate is a figure based on the combined estimates of the analysts. This leverage on different analysis models to further improve our confidence that the profitability of the company is growing.

Furthermore, return on equity (ROE) should be greater than 17 %. Compared to EPS, return on equity is a direct measure of company's profitability. It measures the return generated per unit of shareholders' equity.

Cash flow is also a concern. It is required that Cash flow per share (TTM) is greater than earnings per share (TTM) by at least 20 %

The above 8 criteria focuses on the profitability of the company of concern. It is believed that company's profitability is correlated to stock price. Therefore, the scanner uses both annual and quarterly EPS, sales data, and ROE as well as cash flow per share to increase the prediction confidence of short term profitability growth and thus improve the likelihood that the stock price will rise.

At last, it is suggested to stand behind giant. Therefore, it is required that the company of concern should have more than 10 institutional owners, but the institutional ownership percentage should be lower than 35 % to avoid potential price manipulation.

## 1.2 Model 2

Model 2 uses historical EPS and DPS to estimate the value of a stock. If the current price is lower than the value plus some required rate of return, the stock is therefore worth buying.

### 1.2.1 Notations

1.  $r\%$  : required rate of return
2.  $T$  : future year
3.  $t$  : now
4.  $D$  : dividend
5.  $P$  : price
6.  $APR$ : average payout ratio
7.  $EPSGR$  : average annual EPS growth rate
8.  $APE$  : average PE ratio

### 1.2.2 Calculations

$$D_T = \left\{ \frac{EPS[(1 + EPSGR)^{T+1} - 1]}{EPSGR} - EPS_t \right\} APR \quad (1)$$

The first part of the equation calculates the

$$P_T = APE \times EPS_t \times (1 + EPSGR)^T \quad (2)$$

Price per earnings multiplies by earning per shares equals price per shares. The last part of the formula assumed the current EPS will growth by EPSGR in the coming  $T$  year.

$$P_{target} = \frac{D_T + P_T}{(1 + r\%)^T} \quad (3)$$

This is a simple time value of money equation.

### 1.2.3 Parameters

The required rate of return is 15% in the next 5 years.

## 2 Results

### 2.1 Model 1 only

There are 5 out of 4825 stocks passed the scanning of model 1. There are:

1. THO 2. KNOP 3. NVEE 4. AM 5. FB

### 2.2 Model 2

Target prices:

1. THO : 91.99
2. KNOP : 40.00
3. NVEE : 22.11
4. AM : 256.24
5. FB : 1452.11

## 3 Actions

## 4 Appendix

Table 1: Basic Information

Symbol	Name	Sector	Market Cap
AM	Antero Midstream Partners LP	Public Utilities	\$6.26B
KNOP	KNOT Offshore Partners LP	Consumer Services	\$702.27M
THO	Thor Industries, Inc.	Consumer Non-Durables	\$5.73B
FB	Facebook, Inc.	Technology	\$499.58B
NVEE	NV5 Global, Inc.	Consumer Services	\$533.46M

Table 2: EPS

Symbol	DEPS Q1	DEPS Q2	DEPS Q3	DEPS Q4	DEPS Q5
AM	0.38517	0.34636	0.36904	0.37177	0.26773
KNOP	0.56964	0.38816	0.71722	0.71181	0.42576
THO	2.10833	1.22831	1.49404	1.5734	1.50552
FB	1.31955	1.04076	1.42719	0.81612	0.78158
NVEE	0.40275	0.21177	0.31282	0.32877	0.31168

Table 3: Sales					
Symbol	TR Q1	TR Q2	TR Q3	TR Q4	TR Q5
AM	193.766	174.769	162.995	150.475	136.81
KNOP	54.406	44.992	44.995	43.587	43.063
THO	2015.224	1588.525	1708.531	1292.636	1284.054
FB	9321	8032	8809	7011	6436
NVEE	83.736	64.059	63.022	60.091	55.892

Table 4: EPS, Cash Flow, Sales TTM				
Symbol	EPS TTM	CashTTM	RetTTM	
AM	1.47234	2.07904	20.48131	
KNOP	2.38683	4.53658	11.4698	
THO	6.40408	8.14507	45.87577	
FB	4.39066	5.49475	22.04785	
NVEE	1.25611	2.13505	9.02804	

Table 5: Annual EPS					
Symbol	DEPS Y1	DEPS Y2	DEPS Y3	DEPS Y4	DEPS Y5
AM	1.24297	0.74213	0.04887	0	-0.03019
KNOP	2.24689	1.60021	1.38504	0.87908	
THO	4.90625	3.79178	3.28918	2.85559	2.06745
FB	3.49299	1.29267	1.1036	0.59595	0.01477
NVEE	1.21666	1.17685	0.875	0.69548	0.52032

Table 6: Consensus Earnings and Institutional Ownership				
Symbol	CEPS Y1	CEPS Y2	Number Institu- tional Share- holders	Institutional Owner- ship
AM	1.615	2.06	268	173
KNOP	2.09	2.45	107	163
THO	6.75	7.51	923	132
FB	5.295	6.58	3498	79
NVEE	2.3	2.88	206	88