

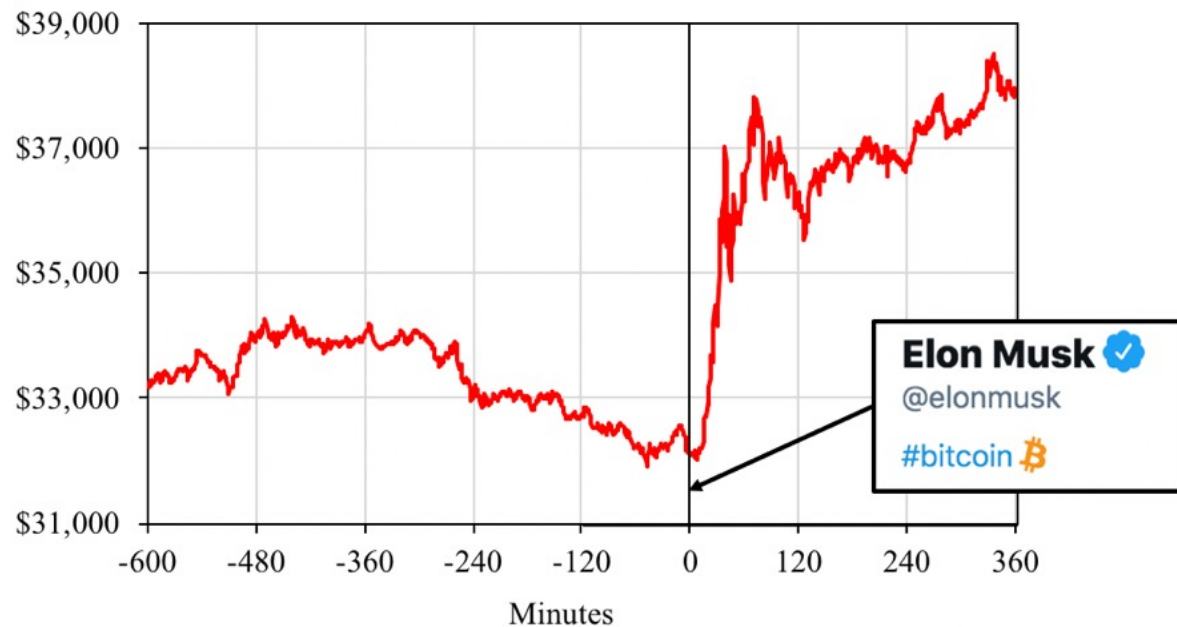
# Modeling Micro-Cap Stock Growth

ANALYSIS BY BRIAN BENTSON

# Capitalizing on Market Inefficiencies

by finding undervalued micro-cap stocks

**How Elon Musk changing his twitter bio to #bitcoin affected the Bitcoin price**



Source: <https://www.blockchainresearchlab.org/2021/02/08/the-musk-effect-how-elon-musks-tweets-affect-the-cryptocurrency-market/>

- Market inefficiencies exist when a stock's price does not accurately reflect the stock's true value
- Finding stocks which are currently undervalued where their true value is much higher than their price suggests
- Micro-cap companies have high inefficiencies due to low visibility especially in large investment institutions (**Small Firm Effect**)

# Data Overview

# FMP

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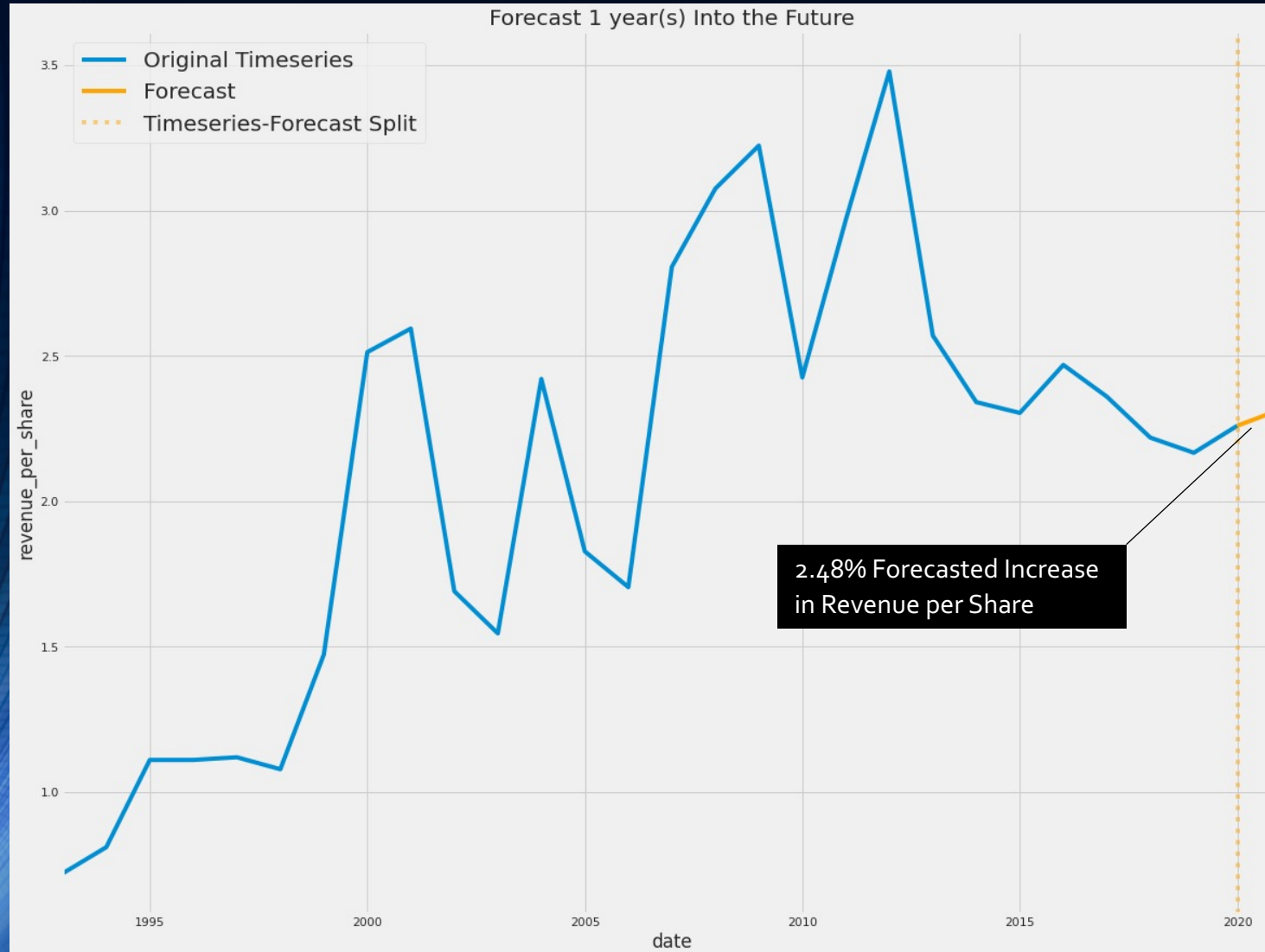
## Financial Modeling Prep

- Sourced data from FMP's API
- Pulled general stock info (stock ticker, company name, industry, country etc.)
- Pulled 5 key value performance metrics for 2020
- Pulled all historical data for revenue per share
- Removed highly volatile sectors (Financial, BioTech, Project Management/Construction)



# Analysis: Finding Market Inefficiencies

using key performance metrics



- Focused on Micro-cap stocks
- Ranked based on 5 “Value” performance metrics in 2020:

Value Performance Metrics
Price to Expense Ratio
Enterprise Value to Operating Cashflow
Enterprise Value Over EBITDA
Enterprise Value to Free Cashflow
Price to Sales Ratio

- Forecasted Top 10 “Value” stocks on revenue per share, 1 year into the future
- Ranked growth potential based on predicted 1 year percent growth of revenue per share

# Analysis Results

Symbol ID	2020 Value Ranking	1 Year Growth Rate	Growth Ranking	Total Ranking
19264	1	4.34%	4	2
10161	2	8.37%	2	1
6760	3	-5.35%	8	4
17272	4	-10.71%	9	6
7134	5	-52.25%	10	8
343	6	-1.31%	6	5
9074	7	-5.32%	7	7
14746	8	10.25%	1	3
13554	9	4.39%	3	5
18302	10	3.45%	5	8

- The last 3 stocks in value show the best growth potential in a year
- The Total Ranking does not offer great granularity since only 10 stocks were modeled. More modeling will allow Total Ranking to provide more insight
- Mixture of auto-fit models and manual fit models due to high volatility in revenue per share, specifically in 2020

# Conclusion and Next Steps



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- Adding the growth potential outlook adds insight to help find inefficient stocks to purchase
- The combination of high performing value metrics and growth potential is key to finding undervalued stocks
- Model more stocks to get a clearer view of smart buys of undervalued stocks
- Explore additional metrics that track company growth such as stock price



# Thank you

Questions?



# Appendix



