

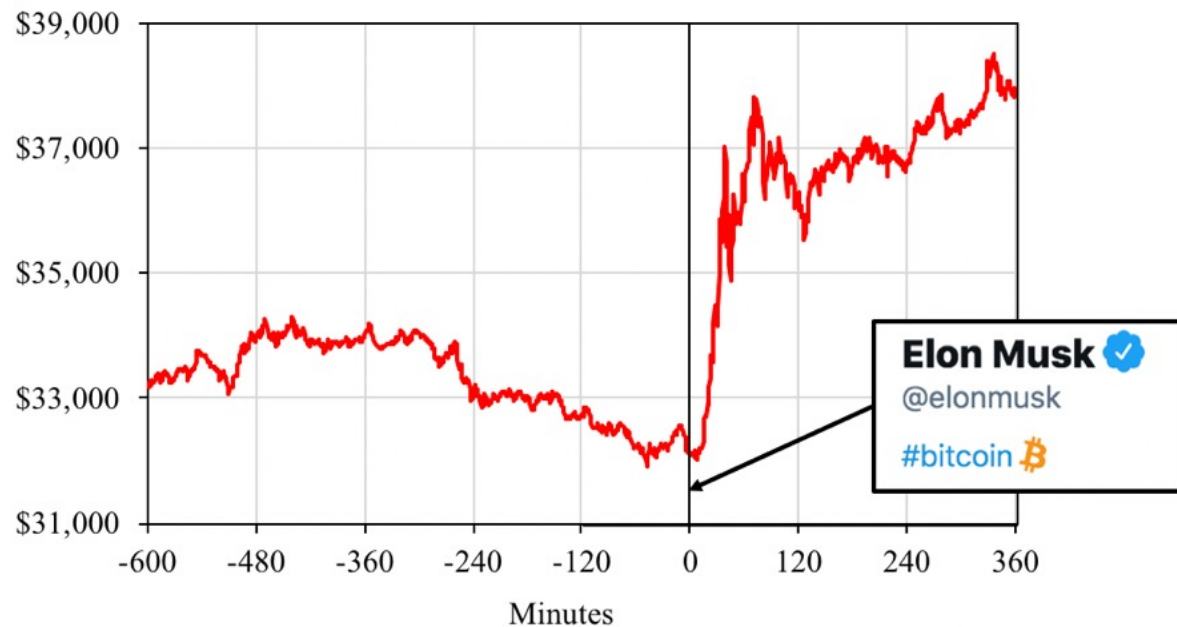
Modeling Micro-Cap Stock Growth

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

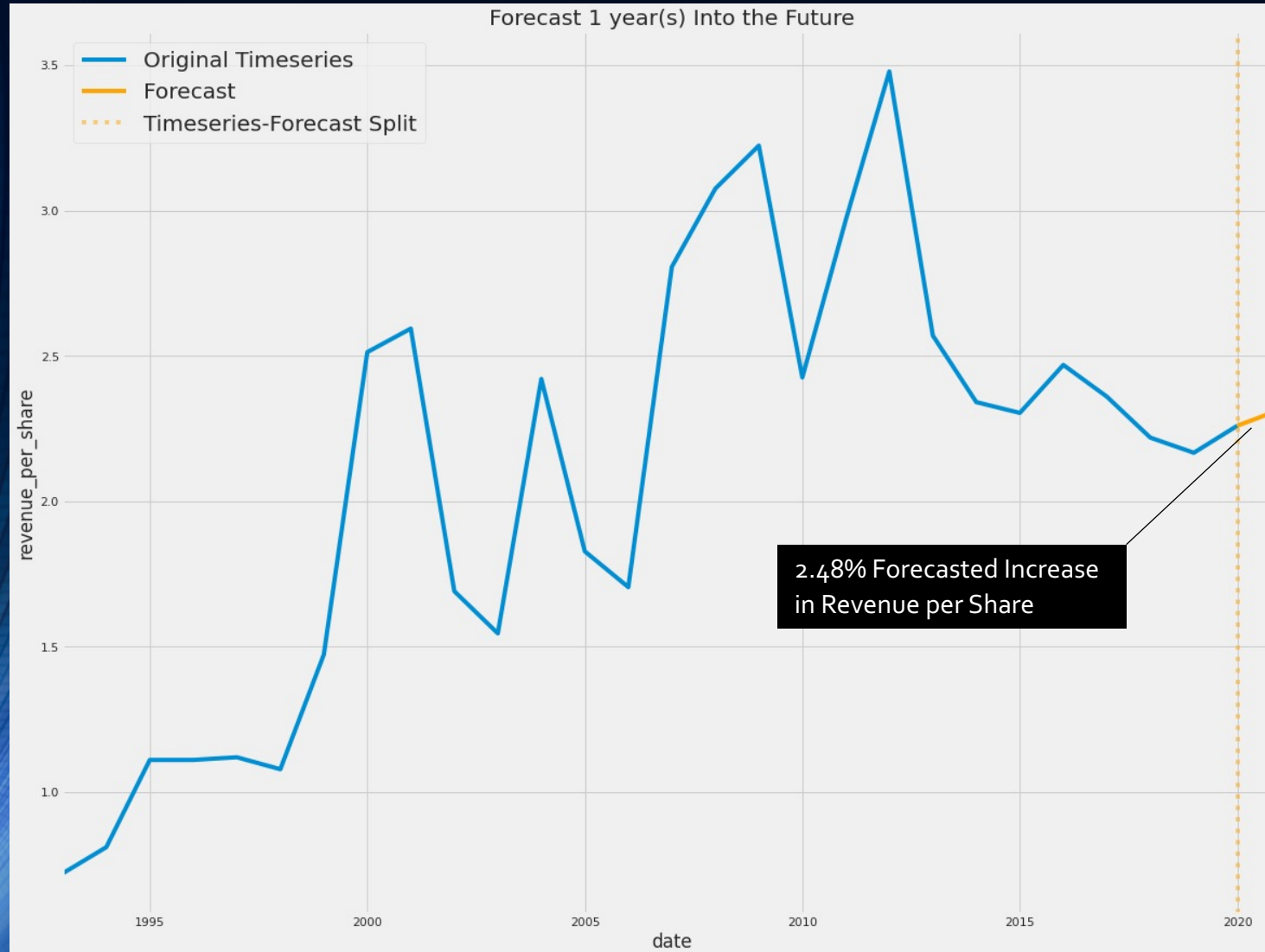
FMP

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
6179	1	-5.91%	7	1
9192	2	nan	10	3
18476	3	0%	5	1
17611	4	1.02%	4	1
20212	5	-1.13%	4	1
6560	6	-31.07%	9	4
3918	7	-10.28%	8	4
13703	8	13.33%	1	2
11068	9	2.48%	3	3
13895	10	3.98%	2	3

- 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



This Photo by Unknown Author is licensed under [CC BY-NC-ND](#)

- 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