SUSTAINABLE AND PROFITABLE STOCK INVESTMENTS

A fundamental guide for dummies and professionals.
NOTE: This guide is dedicated to stocks and only. You will not read about ETF, CFDS, Indices, Crypto Currencies, Exchange Currencies, NFTS etc.

WHY TO READ THIS?

Everything you need to know in order to start investing in the stock market by finding good stocks.

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Part A – Company and CEO analysis, V1

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Introduction

There is a lot of advertisement around about how to get rich, how to invest 10 bucks and become a millionaire, un-numbered videos in the social media and click baits which affect and make people lose money and time. All these result to negative impacts in people's life and their financial failure.

This is a fundamental guide for dummies and future professionals which are interested to create a sustainable stock market portfolio.

The main strategy is to find stocks that will not make us lose money in long investments and will create profit. In order to create this strategy, we will focus in two very specific entities that makes a company reach a success point and maintain it through time under sustainability.

Stock sustainability offers dividends which can be used for re-investing or to withdraw for other usage and needs which is up to investors.

The analysis of the above requires specific examples in order this knowledge to be transferred to others as a fundamental principle, not only for investing in the stock market but for other needs as well such as financial predictions, strategic companies' expansions into a specific area such as technology, finance, healthcare, etc.

You will not read namely which is the good or bad stock, you will get no names. You will learn the "HOW TO" in finding good stocks in the market by analysing their companies' and management public data and information, on your own.

CASE STUDY

Most of guides and researches ends with a case study. In this paper case study is the starting point!

You saw an advertisement about being rich, you liked it, it conceived you to invest in specific entity. In the next day or following period the value of what invested went down, you are in a tough situation because is static or even worse going lower and lower. In the case you withdraw the investment's capital, you will have a part of it will lost because it is undervalued, and you are not able to avoid it. Yes, this is normal, investment value is going up and down in relation with many things, always. The key point is, what did you researched before investing? Someone would ask what are the aspects and parts of a company and its management before you invest into one.

Question: Are you losing money in the Stock Market of your portfolio?

Picture 1. A dramatic depiction of a stock market graph, showing a steep decline with red arrows and numbers, symbolizing financial loss. Foreground includes falling stocks and anxious investors watching the charts.

You have created a portfolio as fast as possible based on others proposals, you have listened to other people without researching yourself. Some companies are going red for more time than normal, and you are getting stressed, upset and frustrated. Your portfolio is facing huge turbulences which are not related to a specific moment in time, or due to a momentary external and/or third-party affection. Let's make it simple, how do you know a company is doing good or bad because you need to make an investment decision? How do you know if a company is and will be long-sustainable and profitable?

***Tip**: Most banks are offering 1-1.5% of interest in case you apply a saving program to your deposits. This is one of the reason more and more people are investing in the stock market. However, the bank case is not enough in order to be profitable. You need a profit of 1% more than the inflation. The value of your money or capital is equal to inflation. If you got a salary of 1000$ and the inflation is 3%, the value of your salary is equal to 1000$ - 3% = 970$. The same applies to banks and stock market. Also, in order to use bank services, to have an account, or a transactions card you are paying monthly and per transaction fee. More accounts and cards, more fees and loses. Conclusion: you are losing value due to inflation and you are losing money due to fees, except if you have huge capitals and you do have the upper hand in the negotiation with a bank then you are able to ask more profit than the inflation. These are the reasons why more and more people are investing into the stock market.*

You see a chart, if a company is going up in price and it looks green and everything is phenomenally positive, there is not a lot of things to do there or to analyze in depth, and it's an easy and pretty straight forward decision.

What happens when stocks are going red in your portfolio? Do you automatically sell them? Do you automatically double down because they are cheap now? The answer is no, you don't need to hurry, you don't need to get psychologically dominated due to red stocks.

Let's clear up things.

Negative case: If a stock is getting down in price, and the stock is bad due to its historical data, the company is not doing good, then we need to sell.

Positive case: If a stock is getting down in price, but the historical data are good, then we need to buy more because now is cheaper.

This is simple enough strategy, just a basic one. Some people claim this is enough. The ugly truth is that this is not enough, at any means.

Before we reach at the above, a question has to be done. How do we make a distinction between good stocks and bad stocks since we have to decide our next steps or what do we do at the moment. If we attend a bad decision and we pick up a bad stock, then there will be no positive case.

All of these are mostly like we have a God feeling, right?

***Tip**: INVESTMENT IS SCIENCE! APPLY SCIENTIFIC PRINCIPLES ANALYSIS!*

Study at least some basic foundations in investing. Professionals that are investing are spending a lot of time in market research, this is what they do eight hours per day. Market and stock analysis needs time.

Picture 2. A detailed illustration of a financial analyst deep in investigation, surrounded by stock charts, calculators, and mathematical formulas, capturing the essence of market research and analytical thinking.

Why do you need to spend time? Because time is money, long investments need more time, so more time – more money. However, a bad decision will make you lose except money, you will lose time as well. You lose time, you lose more money. Investment is not a gambling process or a casino game. Lost time is not coming back and might drain a lot of your money.

Let’s get ready to create a strategy with 12 + 8 steps to research, investigate, and analyze any stock in any market in any index. This is how you will understand based on your own research if a stock is good or bad. Here is how you will combine knowledge, data and information in order to make the best possible decision. This is a decision-making process, not picking just a stock from the market.

Let’s get on it right away.

Analyzing the Company before investing- COMPANY TEST

In this part we will describe the strategic analysis - criteria's of the company's financial statement/report and performance.

Criteria 1. Big market cap

Is the company in a big market cap? What is the strength of your stock in the market? Is the company created and living by its self or its borrowing capitals? Market cap is the measuring of a company's value which is based in its stock value.

Criteria 2. Low short interest

Is the short interest of this company 3% to 6% or 8%-10%? This is not healthy, not for me.

Short interest is the amount of stock shares which are offered and sold in a short time.

Criteria 3. Strong profit margins

How good are the margins? Are they operating on 3% net profit margin or they have massive 15%-20%? Profit margins is the capital that is left into a company after paying business – operational expenses.

Criteria 4. Revenue growth percentage

How is the revenue growth? Are they getting bigger every year? Is the company growing every year or it is declining? Revenue growth is a company's income in a specific time which is compared with the exact time in the past, with the identical period.

Criteria 5. Beating earnings

Is the company beating its own expectations? This is extremely important! Every quarter there are company financial results and reporting. This information is public, you can find more than the last four quarters and investigate if the company beat or missed in every single quarter. If a company missed one out of four quarters it's okay. If a company starts missing two to four which is equal to 50%, it's not positive, it's not attractive, it's not safe and it increases the risk.

Beating earnings is related to the company's results in relation with its specific industry.

Criteria 6. Cash versus debt

Cash is freedom. Debt is shackles.

Sustainable companies love to talk about all the cash they have, they love to show power, they are thirsty in controlling market dynamics. It is important to know where the cash comes from. Do they come from operations or finance? If a company has more debt than cash, its not for me.

A company which has more debts than cash it is not sustainable.

Criteria 7. Positive cash flow

An extremely important thing is positive cash flow, which means that the company makes money, they have sustainable input, they are able any time to act or to make a big move in relation with a competitor. They are able to create innovation and take a step-in.

Criteria 8. MOAT

MOAT, is a term which has been popularized by Warren Buffett which refers to "a business's ability to maintain competitive advantages over its competitors in order to protect its long-term profits and market share". Extremely important is if the company owns a technological advantage that prevents other companies from taking their business because in any other case it is a commoditized business. Go further on this and find information about on-going projects, or next projects deals or agreements of business expansion etc. Also, it is more importance if the company has failed projects or agreements in the near past, this is critical.

Criteria 9. Scale

Is the company able to scale, does it have the ability? Scale can be seen by investigating the grow earning and grow revenues without growing expenses at the same time.

Scaling in a company is the process of implementing an expansion of operations without decreasing or sacrificing the performance or the revenue.

Criteria 10. Seasonality

Example. Is this a travel business? Or a business which has inputs only a dedicated moment of the year? Seasonal business is "garbage" that I don't want into my portfolio. I need something that works 24/7 and 365/365.

Criteria 11. Macro economy sensitivity

Is this company completely relying on the consumers strength? What happens if economy goes into a recession? Will this company keep making money? An on-going input is one of the things that makes a company sustainable. During COVID some companies lost earnings and some increased them in relation with the non-COVID time.

Criteria 12. How good is the CEO (CEO TEST)

Who is the CEO? What is his background? What is his vision? What are his plans? What is the relation he has with the competitors? There are 8 criteria to review a CEO.

The above are used in order to get information and results, as a COMPANY test.

Analyzing the Company's CEO before investing – CEO TEST

In this part we will describe the strategic analysis - criteria's of the company's CEO profile.

A chief executive officer (CEO) is the highest officer charged with the management of an organization—especially a company or nonprofit institution. CEO is the company person who has the first and last decision in every single big-impact decision in and out of the management. In some cases, CEO might be the person who owns most of the company's stocks.

Picture 3. A professional portrait of a confident CEO manager in a modern office setting, dressed in a sharp suit, reviewing documents with a determined expression. The background showcases a city skyline through large windows.

#1 Passion for the company

Is he truly passionate and believes in the vision of the company? Is there any love for the products or services of the company? Two examples among others are Elon Musk from Tesla and Alex Carp from

Palantir, these are two CEOs who loves what they do and you can see it also on the way they speak for their own place and their employees which are faced as colleagues.

#2 Hands on CEO

Does he understand every little facet of their business? Is he able to contribute and actually be a part of the process? Elon Musk goes up to working teams in the middle of a work day and gives them suggestions or show availability of discussing approaches, opinions etc.

***Tip**: During the last period that Tesla made 10% personnel cut-off even on the highest parts of the company pyramid hierarchy, they went to competitors or to big companies and they made great things, they developed even more the new companies that they joined. Researches have resulted that employees who are moving companies less than three years they are more productive to their new job position than the previous one due to new views, brain storming, and excitement and many more. This doesn't mean that an employee who is in a job position for more than three years is not good and productive, but in most cases are limited due to routine. If you have someone in your company and he does the same thing for more than three years then it has become a routine. People mind and spirit needs refreshing no matter the place.*

#3 Infected culture

Does he have infected culture? A culture in which all employees and managers rally behind the flag, or they are the one who come 9 to 5 and are not interested in the process at all.

***Tip**: This happens to many businesses, extremely many, while managers are interested only to "do just your job so we avoid problems", just simple as that. Most of managers nowadays are carrying only to avoid problems, nothing more – nothing less, and this is something that makes the routine deeper and deeper day by day, until one day many employees quit their job in the same department in a period of 2 to 4 months.*

#4 Type A CEO

Does the CEO acts like a superstar? If he is just good then he is going to add just average people to the business and he will lose the best out of it. A superstar is not someone that makes others laugh all day long, is someone who has gained others respect by creating inspiration. Is someone that when others discuss him while he is missing, they are creating even a better view of him to third parties. TYPE A CEO is a superstar who others make him a better one through their admiration, and in relation to each - others business on-going process they love to push him higher and higher. TYPE A CEO, is a manager who makes employees smiling during their entrance and exit of the work-day.

#5 Founder style CEO

Does the CEO keep the founder mentality? If we have a founder functioning as the CEO like in Tesla and Palantir, or a CEO who is there for more than 10 years and is at least just as good as the founder, then “Hell yeah”, he keeps the founder mentality. A CEO that feels the company as his family and not just an income factory.

#6 Delivers on the promise

Does he deliver on the promise? If he promises things and make it happen, beat earnings, deliver products and plans, increase salaries and so on. Does he promise and deliver or he avoids? Just simple as that.

#7 Accountability

Does he make mistakes and takes the accountability, or do he put in front and accountable other people such as someone lower in the pyramid hierarchy? Is he fixing his own mistakes or asking others to do it and waits to get the outcome for his own good and benefit?

#8 Transparency

There is a need of CEOs who are able to tell the truth, what is really going on and to not bullshit around with politics in order to create attractions, because soon or late the situation will blow and negativity will take over. Example of Elon Musk when he tweeted publicly that the stock price is too expensive. That’s the kind of CEO who is transparent except privately, and publicly.

The above are used in order to get information and results, as a CEO test.

Conclusions

Stock investment is not a simple process in order to be sustainable and profitable. Stock investment requires studying, research and weekly, monthly and yearly market and company investigation or statements and repots. Before investing and in order to increase the success rate as described and analyzed, and measure the results, the investors must be able to conclude too specific investing strategy which will guide them to find a good stock or to avoid bad stocks which is a must.

Investors must ensure themselves if they are investing their own capitals or third party one, that their choices are the best possible in based on a specific strategy, and that the profit will be higher than the inflation.

Minimum requirements before investing

The stock market analysis must conclude to specific results. The minimum requirements before investing must be:

- Company test score 8/12
- CEO test score 6/8
- The lower the score, the higher the risk.
- The higher the score, the lower the risk.

If the above are less than mentioned then you are getting into a risk which increases in relation with the missing score.

Last but not least- BEFORE investing

If you want to buy a stock, then buy it slowly over time. Never put all your money at one single point of timeline. The same when you sell a stock, do not get out at once. Always give the stock time since predictions for Long and Short are not fully correct at 100% since there are many factors which we are not able to control.

Read books, watch tutorials, read articles, expand your knowledge more and more. The more you learn, the less risk you get, and less risk makes more money.