Stock Evaluation Process

1. Read news about the company
    a. Yahoo Finance and WSJ

2. Evaluate the company according to the Evaluation Criteria
    a. Yahoo Finance
    b. Annual Reports
    c. Balance Sheet
    d. Income Statement
    e. Statement of Cash Flows

3. Read about the company's business

4. Information sources
    a. Main sources
        i. Yahoo Finance
        ii. Wall Street Journal
        iii. Barron's
        iv. Investor's Business Daily
    b. Additional sources
        i. The Street
        ii. Forbes
        iii. The Economist
        iv. US News & World Report
        v. Conde Nast Portfolio
        vi. Business Week
        vii. The Motley Fool
        viii. SmartMoney
        ix. Money
        x. Fortune
        xi. Bloomberg
        xii. Morningstar
        xiii. MSN Money
    c. Company websites
    d. Annual reports
        i. Balance Sheet
        ii. Income Statement
        iii. Statement of Cash Flows
    e. Stock reports of companies and competitors
    f. Analyst opinions
    g. EBSCO
    h. Industry reports
    i. Books

Evaluation Criteria

1. Performance
2. Internal Environment
3. External Environment
4. Purchase

1. Performance
   a. Cash flow
   b. Short-term solvency (liquidity)
   c. Long-term solvency (financial leverage)
   d. Asset management (turnover)
   e. Profitability
   f. Market value
   g. Trends

2. **Internal Environment**
   a. News
   b. Company history
   c. Management
   d. Organizational structure
   e. Business model
   f. Products and services
   g. Sales and Marketing
   h. Pricing
   i. Distribution
   j. Auditors

3. **External Environment**
   a. Industry
   b. Global market
   c. Economics
   d. Government
   e. Culture

4. **Purchase**

Performance Analysis

1. **Cash flow**
    a. **Net income**
    b. **Cash flow from assets**
        i. Cash flow to creditors + Cash flow to owners
        ii. Operating cash flow - net capital spending - change in net working capital
        iii. Growing companies can have negative cash flow
            1. The company has raised more money by borrowing and selling stock than it paid out to creditors and stockholders
    c. **Operating cash flow**
        i. Earnings before interest and taxes + depreciation - taxes
        ii. Indicates whether cash inflows from operations are sufficient to cover cash outflows
    d. **Net capital spending**
        i. Ending net fixed assets - beginning net fixed assets + depreciation
        ii. Money spent on fixed assets less money received from the sale of fixed assets
    e. **Change in net working capital**
        i. Ending NWC - beginning NWC
    f. **Quality-of-income ratio**
        i. Operating cash flow / net income
        ii. **Companies with high ratios outperform companies with low ratios, with much of the outperformance occurring on earnings announcements**

2. **Short-term solvency (liquidity)**
    a. The firm's ability to pay its bills over the short run without undue stress
    b. Focus is on current assets and current liabilities
    c. Interesting to short-term creditors (banks and short-term lenders)
    d. **Current ratio**
        i. Current assets / current liabilities
        ii. Net working capital
            1. Current assets - current liabilities
            2. Current ratio less than 1 = negative net working capital
    e. **Quick (Acid-Test) ratio**
        i. (Current assets - inventory) / current liabilities
        ii. Large inventories can be a sign of short-term trouble
    f. **Cash ratio**
        i. Total cash / current liabilities
        ii. Indicates the extent to which a firm can pay current liabilities without selling inventory or accounts receivables
    g. **Net working capital to total assets**
        i. Net working capital / total assets
        ii. Low value might indicate low liquidity levels

h. **Interval measure**
    i. Current assets / average daily operating costs
    ii. How long can a business keep running if revenue is low?
    iii. Average daily operating costs (aka burn rate)

3. **Long-term solvency (financial leverage)**
    a. The firm's long-term ability to meet its obligations
    b. **Total cash**
    c. **Total debt**
    d. **Net Asset Value (NAV)**
        i. Assets - liabilities
        ii. Aka book value
    e. **Operating margin**
        i. Operating income / net sales
        ii. The amount of income remaining after paying for variable costs (e.g. wages, raw materials)
        iii. Determines how much money can go towards fixed costs (e.g. interest on debt)
    f. **Total debt ratio**
        i. (Total assets - total equity) / total assets
    g. **Debt-equity ratio**
        i. Total debt / total equity
    h. **Equity multiplier**
        i. Total assets / total equity
    i. **Financial leverage ratio**
        i. Total assets / owner's equity
        ii. Proportion of a firm's assets that owners control relative to the amount of the owners' investment in the company
        iii. Highly leveraged companies rely on debt or outside financing more than owner financing
    j. **Long-term debt ratio**
        i. Long-term debt / (long-term debt + total equity)
        ii. Long-term debt and equity (aka total capitalization)
    k. **Times interest earned ratio**
        i. EBIT / interest
        ii. How well a company covers its interest obligations
        iii. Aka interest coverage ratio
        iv. EBIT
            1. Earnings before interest and taxes
    l. **Cash coverage ratio**
        i. (EBIT + depreciation) / interest
        ii. EBITD
            1. Earnings before interest, taxes, and depreciation
        iii. EBITDA
            1. Earnings before interest, taxes, depreciation, and amortization
            2. Amortization
                a. Noncash deductions similar conceptually to depreciation

4. **Asset management (turnover)**
    a. The firm's ability to efficiently or intensively use assets to generate sales
    b. **Inventory turnover**
        i. Cost of goods sold / inventory
        ii. The higher the ratio, the more efficiently inventory is being managed
    c. **Days' sales in inventory**
        i. 365 days / inventory turnover
    d. **Receivables turnover**
        i. Sales / accounts receivable
        ii. Collecting outstanding credit accounts and re-loaning the money
        iii. Aka average collection period (ACP)
    e. **Net working capital (NWC) turnover**
        i. Sales / NWC
        ii. How much work is gotten out of working capital
    f. **Fixed asset turnover**
        i. Sales / net fixed assets
        ii. For every dollar in fixed assets, x amount of sales are generated
    g. **Total asset turnover**
        i. Sales / total assets
        ii. For every dollar in assets, x amount of sales are generated

5. **Profitability**
    a. The firm's ability to efficiently use its assets and manage its operations
    b. **Profit margin**
        i. Net income / sales
        ii. Amount of profit generated for every dollar in sales
    c. **Return on assets (ROA)**
        i. Net income / total assets
        ii. Amount of profit generated for every dollar of assets
        iii. Aka return on book assets
    d. **Return on equity (ROE)**
        i. Net income / total equity
        ii. How stockholders fare during the year
        iii. **The true bottom-line measure of performance in an accounting sense**
        iv. Aka return on book equity
        v. Aka return on net worth
    e. **Du Pont identity**
        i. ROE = profit margin x total asset turnover x equity multiplier
            1. Equity multiplier = 1 + debt-equity ratio
        ii. ROE is affected by
            1. Operating efficiency (as measured by profit margin)
            2. Asset use efficiency (as measured by total asset turnover)
            3. Financial leverage (as measured by equity turnover)
        iii. Debt financing is governed by a firm's capital structure policy

6. **Market value**
    a. The market price per share of stock

b. **Share Price**
c. **52 week high**
d. **52 week low**
e. **Market capitalization**
f. **Earnings per share (EPS)**
    i. Net income / shares outstanding
g. **Book value per share**
    i. (Shareholders' equity - preferred stock) / average outstanding shares
h. **Earnings yield**
    i. Earnings per share / price per share
i. **Price-earnings ratio (PE ratio)**
    i. Price per share / earnings per share
    ii. How much investors are willing to pay per dollar of current earnings
    iii. Higher ratios mean the firm has significant prospects for future growth
    iv. No earnings yields a high ratio
    v. Not meaningful when a company has negative earnings for extended periods (e.g. start-ups)
j. **PEG ratio**
    i. PE ratio / growth rate
    ii. Growth rate = growth rate x 100
k. **Price-sales ratio**
    i. Price per share / sales per share
l. **Price-book ratio**
    i. Price per share / book value per share
    ii. Aka market-to-book ratio
    iii. Aka price-equity ratio
    iv. Book value per share = total equity / total shares outstanding
    v. Book value per share = total assets - (intangible assets + liabilities)
    vi. Compares the market value of a firm's investments to their cost
    vii. Value less than 1 means not successful in creating value for shareholders
    viii. Lower ratio could mean the company is undervalued
    ix. Lower ratio could mean there is something fundamentally wrong with the company
    x. Gives some idea whether too much is paid for what would be left if the company went bankrupt immediately
    xi. Focuses on historical costs, which are less relevant
m. **Tobin's Q ratio**
    i. Market value of firm's assets / replacement cost of firm's assets
    ii. Market value of firm's debt and equity / replacement cost of firm's assets
    iii. Similar to market-to-book ratio
    iv. Focuses on what the firm is worth today relative to what it would cost to replace it today
    v. High ratios tend to be those with attractive investment opportunities or significant competitive advantages or both

        vi. Can be difficult to calculate with accuracy because estimating the replacement costs of a firm's assets is hard and market values for a firm's debt are often unobservable

    n. Dividend per share
        i. Annually
        ii. Quarterly
        iii. Dividend cannot be more than EPS

    o. Dividend yield
        i. Dividend per share / price per share

    p. Beta

7. **Trends**
    a. **Common-base year statements**
        i. A standardized financial statement presenting all items relative to a certain base year amount (as the benchmark)

2. **Time Trend Analysis**
    a. Compare ratios on the most recent financial statement information with past years' financial statements

Performance Questions

Does the company's past performance indicate that it will perform well in the future?

Cash flow

1. What is the cash flow from assets?
   a. If it is negative, is the company growing?
2. What is the operating cash flow?
3. What is the quality-of-income ratio?

Liquidity

1. What is the current ratio?
   a. If it is high, is cash being used efficiently?
   b. If it has increased, is the firm increasing debt over the long run?
   c. If it is low, does the company have a large reserve of untapped borrowing power?
2. What is the quick ratio?
   a. If it is low (with respect to the current ratio) is there too much inventory?
   b. If there is too much inventory, has the company overestimated sales and/or overbought or overproduced?
3. What is the cash ratio?
4. What is net working capital to assets?
5. What is the interval measure?
   a. If the amount is low, is the company a start-up?

Financial leverage

1. What is the operating margin?
2. What is the total debt ratio?
   a. What is the debt-equity ratio?
   b. What is the firm's capital structure policy?
3. What is the financial leverage ratio?
4. What is the long-term debt ratio?
   a. What are the firm's trade practices? How is long-term debt affected?
5. What is the times interest ratio?
6. What is the cash coverage ratio?
   a. Is the firm meeting its financial obligations?

Turnover

1. What is the inventory turnover?
   a. What is the days' sales in inventory ratio?
2. What is the receivables turnover?
   a. What is the days' sales in receivables?
   b. What is the average collection period?
3. What are the asset turnover ratios?
   a. NWC turnover?
   b. Fixed asset turnover?

   c. Total asset turnover?

Profitability

1. What is the firm's profit margin?
   a. Has total profit (or operating cash flow) increased or decreased?
   b. If profit margin has decreased, have sales prices been lowered?
2. What is ROA?
3. What is ROE?
   a. How does it compare?
4. What is the Du Pont Identity?
   a. What is the difference between ROE and ROA?
   b. Is the firm weak or strong in operating efficiency or asset use efficiency?
   c. Is the firm using debt enough or too much?
   d. What is the firm's capital structure policy?
   e. If ROE is unsatisfactory, which part(s) provide reasons?

Market value

1. What is the share price?
   a. What is the 52 week high and the 52 week low?
   b. Is the price less than NAV?
   c. Does the price make mathematical and economic sense?
   d. Is the price a bargain relative to yield?
   e. When has the share price typically been low during the year?
2. What is the volume traded?
3. How many shares are outstanding?
4. What is the market capitalization?
5. What is the EPS?
   a. What is the trend for the previous 5 years?
6. What is the book value per share?
7. What is the earnings yield?
8. What is the P/E ratio
   a. If the ratio is high, does the firm have significant prospects for future growth?
   b. If the ratio is high, does the firm have little or no earnings?
   c. If the firm has negative earnings for extended periods, is it a start-up?
   d. What is PEG ratio? Is it too high relative to growth?
9. What is the P/S ratio?
10. What is the P/B ratio?
    a. If the ratio is less than 1, has the firm not created value for shareholders?
    b. Is the company undervalued?
    c. Is there something fundamentally wrong with the company?
11. What is Tobin's Q ratio?
    a. If the ratio is high, does the firm have attractive opportunities or significant competitive advantages or both?
    b. Is the calculation accurate?
12. What is the annual dividend per share?
    a. Is the dividend more than EPS?
    b. If EPS has been increasing in the past 5 years, have the dividends increased as well?

13. What is the dividend yield?
    a. Are earnings better than bonds?
14. What is the beta?

Trends

1. How does the company's current performance compare to its past performance?

Internal Environment Analysis

1. **News**
2. **Company history**
3. **Management**
4. **Organizational structure**
5. **Business model**
6. **Projects**
7. **Products and services**
8. **Sales and marketing**
9. **Pricing**
10. **Distribution**
11. **Auditors**
12. **Property**

Internal Environment Questions

Does the internal environment indicate that the company will succeed in the future?

News

1. Does the company have news?
2. How will that news impact the company's performance?

Company history

1. What is the company's history?
2. How does the company's history influence its performance?

Management

1. Who are the leaders of the company?
    a. Board of directors?
    b. Executives?
2. Are the company's managers stable?
    a. Do they have integrity and are they ethical?
    b. Are they participating in insider trading?
3. How does management influence performance?

Organizational structure

1. What is the company's organizational structure?
2. How does the organizational structure impact performance?

Business model

1. What is the business model?
    a. Is it simple?
2. How does the business model affect performance?
3. To capitalize on the market, what changes are being made to the business model?

Projects

1. What projects are the company working on?
2. If projects are complete, how are the results contributing to the company?
3. If projects are not yet complete, how are they progressing and what are they expected to contribute to the company?

Products and services

1. What products and services are offered?
2. How do they affect performance?

Sales and marketing

1. What are the company's sales and marketing practices?
2. How do they impact performance?

Pricing

1. How are the company's products and services priced?
2. Are prices too high or too low?
3. How are they affecting performance?

Distribution

1. If the company manufactures products, how is distribution affecting performance?

Auditors

1. Who are the auditors?
2. Is there anything negative that might affect the company's future?

Property

1. How old is the company's plant and equipment?

External Environment Analysis

1. **Industry**
    1. News
    2. History
    3. Industry position
    4. Industry factors
        1. Market structure
        2. C4
        3. HHI
        4. Customers
            a. Company
            b. Industry
            c. Knowledge of the company's products and services
            d. Potential customers
        5. Competitors
        6. Suppliers
        7. Speed of product obsolescence
        8. Ease of entry or exit for new producers
    5. Trends
        1. Peer Group Analysis
            a. Compare the company's performance to its competitors
            b. Compare the company's performance to its entire industry

2. **Global Market**
    1. News
    2. History

3. **Economics**
    1. Economic factors

4. **Government**
    1. Laws and regulations
    2. Proposed legislation

5. **Culture**

External Environment Questions

Does the external environment encourage the company to achieve future success?

Industry

1. **News**
    1. What's the news in the company's industry?
    2. How will that news impact the company's performance?

2. **History**
    1. What is the history of the industry?
    2. How does that history influence the company's performance?

3. **Industry position**
    1. What is the company's position within the industry?
    2. How is the company improving or maintaining its position within the industry?
    3. Does the company have or have the potential to get a significant share of its particular industry's market?
    4. Does the company have a history of profitability that is above average for its industry?
    5. If the company is relatively new, has it shown that it is likely to be successful in the industry?

4. **Industry factors**
    1. What is the industry's market structure?
    2. What is the industry's C4 ratio?
    3. What is the industry's HHI?
    4. Who are the customers?
        a. For the company?
        b. For the industry?
        c. Are the customers knowledgeable of the company's products and services?
        d. What is the company doing to gain new customers?
    5. Who are the competitors?
        a. Are they in the industry?
    6. Who are the suppliers?
        a. What are the suppliers' relationships to competitors?
    7. What is the speed of product obsolescence in the industry?
    8. What is the ease of entry or exit for new producers?
    9. Is the industry growing?
    10. What are the industry's prospects for future growth?
    11. What is the S&P rating?

5. **Trends**
    1. How does the company's performance compare to its competitors?
    2. How does the company's performance compare to the entire industry?

Global Market

1. **News**
    1. What's the news in the global marketplace?
    2. How will that news impact the company?

2. **History**
    1. What is the recent history of the global market?
    2. How does recent history of the global market impact the company?

Economics

1. What are the economic factors affecting the company?

Government

1. What laws and regulations are affecting the company?
2. What proposed legislation will impact the company?
3. How is government everywhere the company is located impacting its performance?

Culture

1. How is culture everywhere the company is located influencing its performance?

Purchase Questions

What are the costs of owning shares in the company?

1. What will the capital gains taxes be?
2. If the company is foreign, how much will double-taxation cost?
3. What will ownership cost on income taxes?
4. When should the stock be sold if this become necessary?
    a. How far is the price allowed to fall?

The basic ideas of investing are to look at stocks as business, use the market's fluctuations to your advantage, and seek a margin of safety. That's what Ben Graham taught us. A hundred years from now they will still be the cornerstones of investing.[28][29][30]
— Warren Buffett

Stock Market Sectors

1. Basic Materials
2. Communication Services
3. Conglomerates
4. Consumer Discretionary
5. Consumer Goods
6. Energy
7. Financial
8. Healthcare
9. Industrial Goods
10. Industrials
11. Real Estate
12. Services
13. Technology
14. Utilities

The Intelligent Investor

Benjamin Graham

1. Successful investing
    a. Industries most likely to grow
    b. Most promising companies in these industries

2. Look for stocks selling not far above their tangible-asset value (net-asset value)

3. Simple portfolio policy
    a. High-grade bonds and diversified list of leading common stocks
    b. 25% in bonds, 75% in stocks

4. Securities should keep the principle safe and guarantee an acceptable return

5. Business earnings should be influenced more by wholesale prices than by consumer prices

6. Inflation adds to common stock values by raising the rate of earnings on capital investment

7. 1950 - 1969: great rise in interest rates, aggregate corporate debt is an adverse economic factor

8. Rules for defensive investing
    a. Adequate not excessive diversification: 10 to 30 stocks
    b. Each company should be large, prominent, and conservatively financed
    c. Each company should have a long record of continuous dividend payments
    d. Limit the price paid for stock in relation to its average earnings over the past seven years
        i. e.g. 25 times average earnings
        ii. Not more than 20 times those of the past 12 months

9. Primary (or prominent) companies are considered large and prominent
    a. To be prominent, a company should rank among the first quarter or first third in size within its industry group
    b. Secondary companies are companies that are not leaders in a fairly important industry

10. Enterprising investment
    a. To obtain better than average results over the long term, a policy of selection must
        i. Meet objective or rational tests of underlying soundness
        ii. Be different from the policy followed by most investors
    b. Growth stocks
        i. Stocks that have done better than the average over a period of years and are expected to do so in the future
    c. Recommended investment approaches
        i. The relatively unpopular large company
            1. Tend to sell at a high price and low multiplier in good years and at a low price and high multiplier in bad years

            2. Highest multiplier = the most popular of the group of stocks
        ii. Purchase of bargain issues
            1. Value should be at least 50% more than the price
            2. How to detect a bargain stock
                a. Method of appraisal
                    i. Estimating future earnings and multiplying these by a factor appropriate to the stock
                b. Value of the business to a private owner
                    i. Determined by expected future earnings
                    ii. More attention is paid to the realizable value of the assets, with emphasis on net current assets or working capital
            3. Sources of undervaluation
                a. Currently disappointing results
                b. Protracted neglect or unpopularity
                c. The market's failure to recognize its true earnings picture
            4. The investor should require stable earnings over the past decade or more (no year of earnings deficit)
            5. Look for stocks that sell for less than the company's net working capital alone, after deducting all prior obligations
                a. The buyer would pay nothing for fixed assets
            6. Substantial profits from the purchase of secondary companies at bargain prices arise in a variety of ways
                a. The dividend return is high
                b. The reinvested earnings are substantial in relation to the price paid and will ultimately affect the price
                c. A bull market is ordinarily most generous to low-priced issues
                d. Even during featureless market periods price adjustments happen
                e. New conditions or new policies or change in management may improve earnings
        iii. Special situations (or workouts)

11. Defensive investors should avoid the following practices
    a. Trading in the market
        i. i.e. short selling
    b. Short-term selectivity
        i. Buying stocks reporting or expected to report increased earnings
    c. Long-term selectivity
        i. Buying stocks with an excellent record of past growth
        ii. Buying stocks that have yet to show impressive results, but are expected to establish a high earning power later

12. Avoid purchasing at full price
    a. Foreign bonds
    b. Ordinary preferred stocks
    c. Secondary common stocks

    d. Full price means prices close to par for bonds or preferred stocks, and prices that represent about the fair business value of common stocks

13. Stocks sell almost constantly at prices above their net asset value (or book value or balance-sheet value)
    a. The investor must depend on the stock market to validate commitments
    b. The better a company's record and prospects, the less relationship the price of its shares will have to their book value
    c. The greater the premium above book value, the less certain the basis of determining intrinsic value

14. Striking losses do not indicate any doubt about future long-term growth; they reflect a lack of confidence in the premium valuation made by the stock market

15. Concentrate on issues selling close to tangible-asset value (<= 1/3 above)
    a. Related to balance sheet

16. Demand satisfactory ratio of earnings to price, sufficiently strong financial position, and prospect that earnings will at least be maintained over the years

17. Earning power of holdings should remain satisfactory

18. Working capital = net current assets

19. The stock market often goes far wrong and sometimes an alert investor can take advantage

20. Most businesses change in character and quality over the years

21. The true investor scarcely ever is forced to sell his shares and at all other times is free to disregard the current quote

22. Most of the time, pay more attention to dividend returns and operating results

23. The investor with a sound portfolio should expect the prices to fluctuate and not be concerned by sizable declines or excited by sizable advances

24. If the reason people invest is to make money, then in seeking advice they are asking other to tell them how to make money

25. Look at Value Line for forecasts of future earnings and dividends

26. Common stock analysis (factors affecting the capitalization rate)
    a. General long-term prospects
        i. Price-earnings ratios
    b. Management
        i. Past record
        ii. Estimates for the next five years
        iii. Long-term prospects

c. Financial strength and capital structure
    i. Too little common stock in relation to bonds and preferred stock may make for a huge speculative profit (leverage)
d. Dividend record
    i. Continuous dividend payments for the last 20 years or more
e. Current dividend rate
    i. Standard dividend policy: distribution of about 2/3 of average earnings

27. Formula for the valuation of growth stocks
    a. Value = Current (Normal) Earnings x (8.5 plus twice the expected annual growth rate)

28. Don't take a single year's earnings seriously

29. If you pay attention to short-term earnings, look out for booby traps in the per-share figures

30. (p. 166) pay attention to annual earnings vs. quarterly earnings

31. (p. 176 - 179) comparison of companies
    a. Profitability
        i. Operating income to sales ratio
    b. Stability
        i. Maximum decline in per-share earnings in any one of the past 10 years, as against the average of the 3 preceding years
        ii. No decline translates into 100% stability
    c. Growth
    d. Financial position
        i. Assets to liabilities
        ii. Low long-term debt
    e. Dividends
        i. History of continuance without interruption
    f. Price history
        i. Percentage advance in price over decades (except for stock splits)

32. Requirements for the defensive investor's portfolio
    a. Adequate size
    b. Sufficiently strong financial condition
        i. Current assets to current liabilities
    c. Earnings stability
        i. Some earnings in each of the past 10 years
    d. Continued dividends for at least 20 years
    e. No earnings deficit in the past 10 years
    f. 10-year growth of at least 1/3 in per-share earnings
    g. Moderate price/earnings ratio
        i. Current price should not be more than 15 times average earnings of the past 3 years
    h. Price of stock no more than 1/2 times net asset value
    i. Price no more than 15 times average earnings of the past 3 years

33. Public utility stocks
    a. Comfortable and inviting situations for investors
    b. Moderate price in relation to book value

34. Financial stocks
    a. Price in relation to earnings and book value

35. The future can be approached in two ways
    a. Prediction (or projection)
        i. Qualitative
        ii. Emphasizes prospects, management, and quality
    b. Protection
        i. Quantitative
        ii. Emphasizes relationships between selling price and earnings, assets, dividends, etc

36. Be wary of buying stock with large long-term debt

37. Be wary of buying stock in businesses stretched across too many industries

38. Be wary of growth stocks that grow too fast

39. Be wary of stocks that are overbonded

40. Look for stocks with low multipliers

41. Look for stocks with low book value but pay attention to contradiction
    a. The company is earning a high return on its capital
    b. The investor is vulnerable to any important adverse change in the company's earning situation

42. Avoid waves of optimism and pessimism about stocks

43. Companies with better growth records and higher profitability have sold at higher multipliers of current earnings