



Wealthy Education
Learn More, Live Better!

VALUE INVESTING

THE ADVANCED VALUE INVESTING COURSE

MODULE 2: THE COMPLETE VALUE INVESTING PROCESS

LEARNING MATERIAL – TAKEAWAY NOTE

DISCLAIMER

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THANK YOU!

Hello friends,

Congratulations! You've completed the Module 2 – The Complete Value Investing Process. This is a learning note that we've prepared for you. It includes all key information in the lectures. You can take it away and revise the course from anywhere, on any device and at anytime you want.

If you have any concern about the lectures, feel free to send us a message, we are always here to help you!

Best regards,

Wealthy Education Team.

VALUE INVESTING PROCESS



STOCK SCREENING PROCESS



Step 1:
Stock Screening
Process



Stock screener:

- [Finviz.com](https://finviz.com)
- [Zacks.com](https://zacks.com)

FREE!

Stock Screening Criteria

1. Midcap+ Company
2. Positive Dividend Yield
3. Average Share Volume (over 500K)
4. Positive EPS growth past 3-5 years
5. Positive EPS growth this year
6. Positive EPS growth next 3-5 years
7. Positive Sales growth past 3-5 years
8. Positive Return on Equity (>10%)
9. Positive Return on Investment
10. Positive Gross Profit Margin
11. Positive Operating Margin
12. Positive Net Profit Margin
13. Positive Insider Transactions
14. Market Sector

PROFITABILITY ASSESSMENT



Step 2:
Profitability
Assessment



Stock Screening Criteria

1. Net Income
2. Sales Revenue
3. Operating Cash Flow
4. Earnings per Share
5. Return on Equity (3-5 years)
 - ROE = 10%: acceptable
 - ROE > 12%: fair investment
 - ROE > 15%: great investment

Investment Research Sites:

- **Morningstar.com**
- **Zacks.com**
- **Yahoo Finance**

FREE!

❖ Using Financial Data from **Morningstar.com**

- ☐ **Income Statement:** Net Income, Sales Revenue, EPS
- ☐ **Cash Flow Statement:** Operating Cash Flow
- ☐ **Key Ratios:** Return on Equity

➔ Use the given criteria to evaluate your stock

FINANCIAL HEALTH ASSESSMENT



Step 3:
Financial Health
Assessment



Stock Screening Criteria



Investment Research Sites:

- **Morningstar.com**
- **Zacks.com**
- **Yahoo Finance**

FREE!

Debt Settlement Capacity

- $3 \times \text{Free Cash Flow} > \text{LT Debt}$
- $\text{Current Ratio} > 1.5$

❖ Using Financial Data from **Morningstar.com**

- ☐ **Cash Flow Statement:** Free Cash Flow
- ☐ **Balance Sheet:** Long-term Debt
- ☐ **Key Ratios:** Current Ratio

➔ Use the given criteria to evaluate your stock

INTRINSIC VALUE CALCULATION

Intrinsic Value = REAL Value

- Criterion:
 - ❑ **When the Intrinsic Value is greater than the Current Market Price, the stock is undervalued**
 - ❑ **When the Intrinsic Value is lower than the Current Market Price, the stock is overvalued**

INTRINSIC VALUE CALCULATION

- Intrinsic Value Calculation Steps:
 - ❖ **Step 1:** Find Needed **Financial Figures** for Calculations
 - ❖ **Step 2:** Calculate the **Discount Rate** (WACC)
 - ❖ **Step 3:** Calculate the **Discounted Free Cash Flows**
 - ❖ **Step 4:** Calculate the **Present Value** of 10-Year Free Cash Flow
 - ➔ **Step 5:** Calculate the **Intrinsic Value**
 - ➔ **Step 6:** Compare **Intrinsic Value** with **Current Market Value**
- ➔ Review the Step-by-Step Visual Guide to Value Investing (Supplemental Material)

INTRINSIC VALUE CALCULATOR

- Using the Intrinsic Value Calculator
 - ☐ Easy to Use and Implement
 - ☐ No complex financial calculations
 - ☐ Everything is automatic
 - ☐ You only need to add some appropriate figures, you will have your Intrinsic Value in less than 3 seconds
 - ☐ Awesome!

Intrinsic Value Calculator

Only \$19 ~~\$97~~

Get Instant Access:

WealthyEducation.com/getvalue

INSIDER ACTIVITY CHECK

- Detect the potential problem by paying close attention to the company's insider action
- If the insiders are selling a large number of company's stocks, there may be a problem with the business, so the insiders tend to sell their holdings before the price drops
- Criterion:

❑ You should only invest when the insiders are currently holding and buying more stocks



Insider Action

TECHNICAL ANALYSIS

❖ “Buy High, Sell Higher” Strategy:

- ❑ Buy in an uptrend (Buy High)
- ❑ Sell at the end of the uptrend (Sell Higher)

❖ Simple Moving Average Crossover:

❑ Uptrend signal:

- SMA 60 crosses above SMA 180
- Both lines slope upward

❑ Downtrend signal:

- SMA 60 crosses below SMA 180
- Both lines slope downward

MAKING YOUR INVESTMENT



- ❖ We will consider making an investment when:
 - ☐ Value Investing Checklist: **Total points > 75**
 - ☐ The **SMA 60** crosses above the **SMA 180**, both lines slope **upward**
 - ☐ Insider transactions turn to be **positive**
- ➔ Download **FREE** Value Investing Checklist (Value \$49):
 - **[WealthyEducation.com/value-investing-checklist](https://www.wealthyeducation.com/value-investing-checklist)**



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THANK YOU!

FOR MORE INFORMATION:

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