



Wealthy Education

VALUE INVESTING

THE ADVANCED VALUE INVESTING COURSE: A PROVEN APPROACH

MODULE 2: THE COMPLETE VALUE INVESTING PROCESS

MATERIAL: THE STEP-BY-STEP VISUAL GUIDE TO VALUE INVESTING

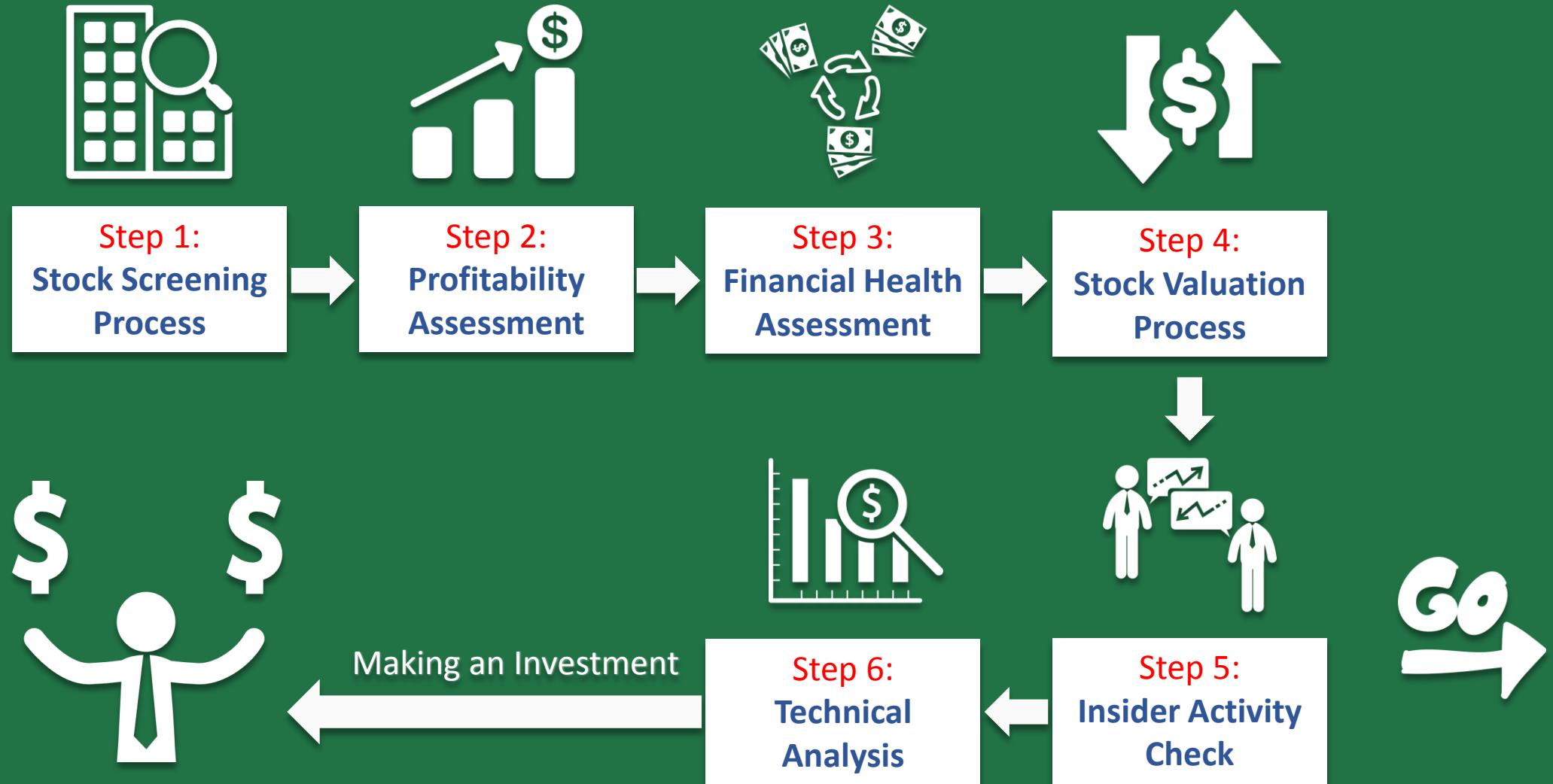


DISCLAIMER

LEGALLY REQUIRED DISCLAIMER – THIS COURSE CONTAINS THE PERSONAL IDEAS AND OPINIONS OF THE COURSE PROVIDERS. THE INFORMATION CONTAINED IN THIS COURSE IS FOR EDUCATIONAL PURPOSES ONLY. THERE IS NO RECOMMENDATION OR ADVICE ON MAKING ANY INVESTMENT DECISIONS, BUYING OR SELLING ANY TYPES OF STOCKS, SECURITIES OR INVESTMENTS DISCUSSED IN THIS COURSE. THE COURSE PROVIDERS ARE NEITHER STOCK BROKERS NOR REGISTERED INVESTMENT ADVISORS. WE DO NOT RECOMMEND MAKING ANY INVESTMENT DECISIONS PROPOSED IN THIS COURSE. INDIVIDUALS SHOULD FIND REGISTERED INVESTMENT ADVISORS TO HELP THEM MAKE INVESTMENT DECISIONS. ALTHOUGH THE COURSE PROVIDERS HAVE STRIVED FOR PROVIDING THE MOST ACCURATE INFORMATION, THERE IS NO GUARANTEE OR WARRANTY CONCERNING THE RELIABILITY, ACCURACY AND COMPLETENESS OF THE PROVIDED INFORMATION. INDIVIDUALS SHOULD BE CAUTIOUS ABOUT MAKING THEIR OWN INVESTMENT DECISIONS. INDIVIDUALS ARE SOLELY RESPONSIBLE FOR THEIR INVESTMENT DECISIONS. THE COURSE PROVIDERS ARE NOT RESPONSIBLE FOR ANY LIABILITIES AND LOSSES, WHICH MAY ARISE FROM THE USE AND APPLICATION OF THE INFORMATION AND STRATEGIES PROPOSED IN THIS COURSE.

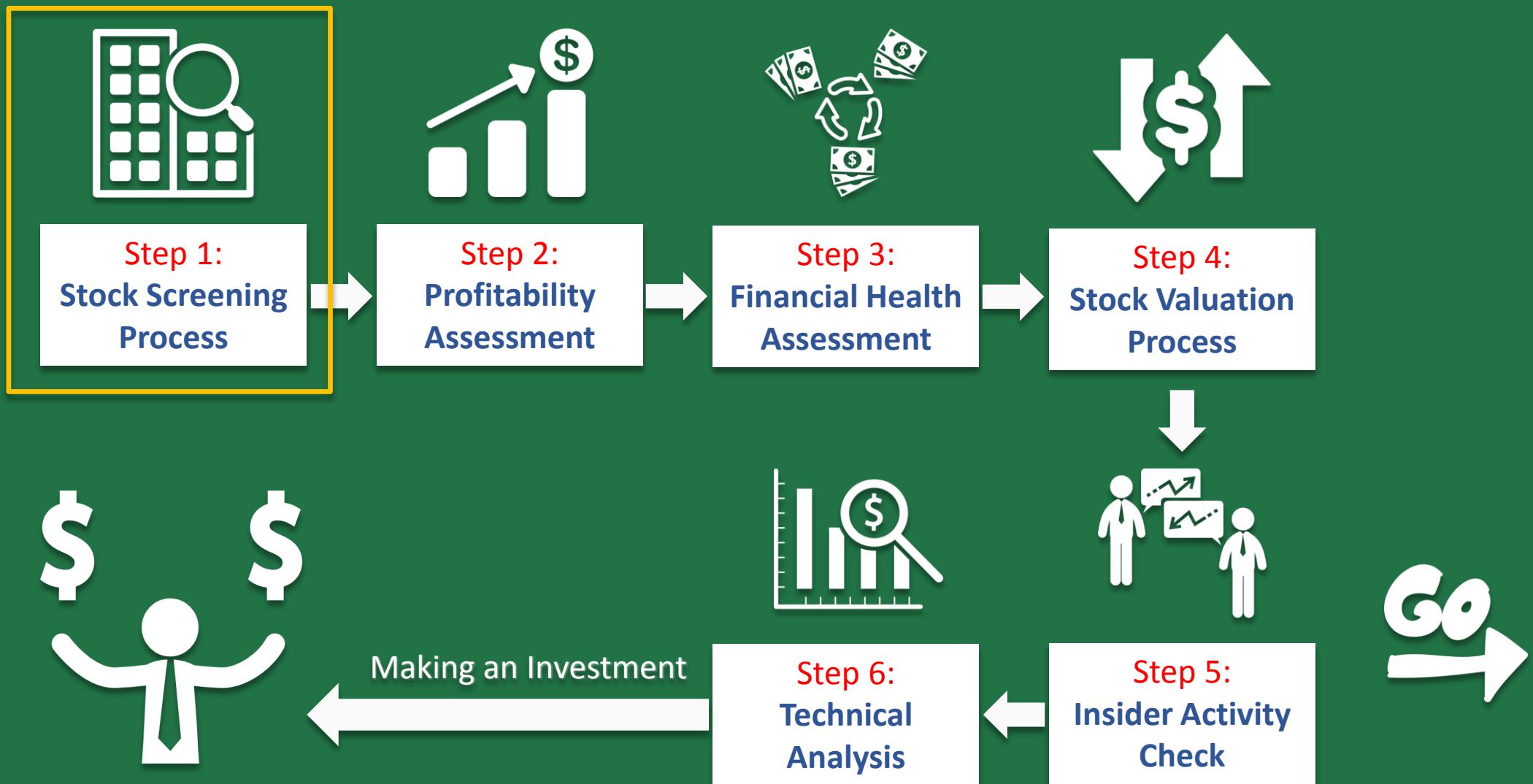


Value Investing Process





Value Investing Process





Stock Screening Process



Step 1:
**Stock Screening
Process**

Stock screener:

- **Finviz.com**
- **Zacks.com**



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



Stock Screening Process



Step 1:
**Stock Screening
Process**

Stock screener:

- **Finviz.com**
- **Zacks.com**



Stock Screening Criteria

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



Search ticker, company or profile



Home News Screener Maps Groups Portfolio Insider Futures Forex Backtests Elite

Wealthy Education

My Presets Order: Ticker Asc Signal: None (all stocks) Tickers: > Filters ▲

Filters: 4		Descriptive(4)		Fundamental		Technical		All(4)	
Exchange	Any	Index	Any	Sector	Any	Industry	Any	Country	USA
Market Cap.	+Mid (over \$2bln)	Dividend Yield	Positive (>0%)	Float Short	Any	Analyst Recom.	Any	Option/Short	Any
Earnings Date	Any	Average Volume	Over 500K	Relative Volume	Any	Current Volume	Any	Price	Any
Target Price	Any	IPO Date	Any						Reset (4)

Overview Valuation Financial Ownership Performance Technical Cus... Charts Tickers Basic TA News Snapshot Stats

Total: 682 #1 save as portfolio | create alert Auto Refresh: 3min | off NEW Page 1/35 ▲

No.	Ticker	Company	Sector	Industry	Country	Market Cap	P/E	Price	Change	Volume
1	A	Agilent Technologies Inc.	Healthcare	Medical Laboratories & Research	USA	11.75B	27.00	35.37	+1.64%	3,191,800
2	AA	Alcoa Inc.	Basic Materials	Aluminum	USA	10.23B	-	7.81	-1.14%	26,451,500
3	AAL	American Airlines Group Inc.	Services	Major Airlines	USA	22.81B	5.16	36.19	+1.80%	11,013,000
4	AAP	Advance Auto Parts Inc.	Services	Auto Parts Stores	USA	10.36B	20.81	141.50	+0.04%	1,226,800
5	AAPL	Apple Inc.	Consumer Goods	Electronic Equipment	USA	526.68B	10.09	94.99	-0.02%	44,262,900
6	ABBV	AbbVie Inc.	Healthcare	Drug Manufacturers - Major	USA	87.43B	17.03	53.48	+1.12%	7,547,500
7	ABC	AmerisourceBergen Corporation	Services	Drugs Wholesale	USA	17.41B	-	84.75	+1.35%	2,596,800
8	ABT	Abbott Laboratories	Healthcare	Medical Appliances & Equipment	USA	55.19B	21.39	37.00	-1.23%	8,080,300
9	ACC	American Campus Communities, Inc.	Financial	REIT - Residential	USA	5.54B	42.03	43.29	+0.74%	2,467,900
10	ADI	Analog Devices, Inc.	Technology	Semiconductor - Integrated Circuits	USA	15.33B	22.41	49.31	+0.31%	3,062,600
11	ADM	Archer-Daniels-Midland Company	Consumer Goods	Farm Products	USA	19.99B	11.23	33.58	+0.84%	5,927,200
12	ADP	Automatic Data Processing, Inc.	Technology	Business Software & Services	USA	36.90B	26.54	80.67	-0.71%	2,246,200
13	ADT	The ADT Corporation	Services	Security & Protection Services	USA	4.53B	16.12	27.40	+1.48%	3,483,700
14	AEE	Ameren Corporation	Utilities	Electric Utilities	USA	11.18B	18.89	46.08	-0.19%	2,023,100
15	AEO	American Eagle Outfitters, Inc.	Services	Apparel Stores	USA	2.60B	12.95	13.34	-1.04%	3,817,200
16	AEP	American Electric Power Co., Inc.	Utilities	Electric Utilities	USA	30.61B	17.47	62.37	-0.19%	2,926,900
17	AES	The AES Corporation	Utilities	Electric Utilities	USA	6.40B	11.19	9.51	+0.74%	5,318,800
18	AET	Aetna Inc.	Healthcare	Health Care Plans	USA	33.89B	14.34	97.20	+3.06%	4,321,200
19	AFL	Aflac Incorporated	Financial	Accident & Health Insurance	USA	24.72B	9.90	57.93	-0.12%	2,694,600
20	AFSI	AmTrust Financial Services, Inc.	Financial	Property & Casualty Insurance	USA	4.65B	9.25	26.45	-0.82%	1,050,900

Filters: cap:midover fa_div:pos geo:usa sh_avgvol:0500

export

1 2 3 4 5 6 ... 10 ... 20 ... 30 ... 35 next

Page 5

Search ticker, company or profile



Home News Screener Maps Groups Portfolio Insider Futures Forex Backtests Elite

>Wealthy Education

My Presets		Order:	Ticker	Asc	Signal:	None (all stocks)	Tickers:	> Filters ▾																																																																							
Filters: 14 <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <th colspan="2"></th> <th colspan="2">Descriptive(4)</th> <th colspan="2">Fundamental(10)</th> <th colspan="2">Technical</th> <th colspan="2">All(14)</th> </tr> <tr> <td>P/E</td><td>Any</td> <td>Forward P/E</td><td>Any</td> <td>PEG</td><td>Any</td> <td>P/S</td><td>Any</td> <td>P/B</td><td>Any</td> </tr> <tr> <td>Price/Cash</td><td>Any</td> <td>Price/Free Cash Flow</td><td>Any</td> <td>EPS growth this year</td><td>Positive (>0%)</td> <td>EPS growth next year</td><td>Any</td> <td>EPS growth past 5 years</td><td>Positive (>0%)</td> </tr> <tr> <td>EPS growth next 5 years</td><td>Positive (>0%)</td> <td>Sales growth past 5 years</td><td>Positive (>0%)</td> <td>EPS growth qtr over qtr</td><td>Any</td> <td>Sales growth qtr over qtr</td><td>Any</td> <td>Return on Assets</td><td>Any</td> </tr> <tr> <td>Return on Equity</td><td>Over +10%</td> <td>Return on Investment</td><td>Positive (>0%)</td> <td>Current Ratio</td><td>Any</td> <td>Quick Ratio</td><td>Any</td> <td>LT Debt/Equity</td><td>Any</td> </tr> <tr> <td>Debt/Equity</td><td>Any</td> <td>Gross Margin</td><td>Positive (>0%)</td> <td>Operating Margin</td><td>Positive (>0%)</td> <td>Net Profit Margin</td><td>Positive (>0%)</td> <td>Payout Ratio</td><td>Any</td> </tr> <tr> <td>Insider Ownership</td><td>Any</td> <td>Insider Transactions</td><td>Positive (>0%)</td> <td>Institutional Ownership</td><td>Any</td> <td>Institutional Transactions</td><td>Any</td> <td></td><td>Reset (14)</td> </tr> </table>												Descriptive(4)		Fundamental(10)		Technical		All(14)		P/E	Any	Forward P/E	Any	PEG	Any	P/S	Any	P/B	Any	Price/Cash	Any	Price/Free Cash Flow	Any	EPS growth this year	Positive (>0%)	EPS growth next year	Any	EPS growth past 5 years	Positive (>0%)	EPS growth next 5 years	Positive (>0%)	Sales growth past 5 years	Positive (>0%)	EPS growth qtr over qtr	Any	Sales growth qtr over qtr	Any	Return on Assets	Any	Return on Equity	Over +10%	Return on Investment	Positive (>0%)	Current Ratio	Any	Quick Ratio	Any	LT Debt/Equity	Any	Debt/Equity	Any	Gross Margin	Positive (>0%)	Operating Margin	Positive (>0%)	Net Profit Margin	Positive (>0%)	Payout Ratio	Any	Insider Ownership	Any	Insider Transactions	Positive (>0%)	Institutional Ownership	Any	Institutional Transactions	Any		Reset (14)
		Descriptive(4)		Fundamental(10)		Technical		All(14)																																																																							
P/E	Any	Forward P/E	Any	PEG	Any	P/S	Any	P/B	Any																																																																						
Price/Cash	Any	Price/Free Cash Flow	Any	EPS growth this year	Positive (>0%)	EPS growth next year	Any	EPS growth past 5 years	Positive (>0%)																																																																						
EPS growth next 5 years	Positive (>0%)	Sales growth past 5 years	Positive (>0%)	EPS growth qtr over qtr	Any	Sales growth qtr over qtr	Any	Return on Assets	Any																																																																						
Return on Equity	Over +10%	Return on Investment	Positive (>0%)	Current Ratio	Any	Quick Ratio	Any	LT Debt/Equity	Any																																																																						
Debt/Equity	Any	Gross Margin	Positive (>0%)	Operating Margin	Positive (>0%)	Net Profit Margin	Positive (>0%)	Payout Ratio	Any																																																																						
Insider Ownership	Any	Insider Transactions	Positive (>0%)	Institutional Ownership	Any	Institutional Transactions	Any		Reset (14)																																																																						
Overview	Valuation	Financial	Ownership	Performance	Technical	Custom	Charts	Tickers	Basic																																																																						
									TA																																																																						
									News																																																																						
									Snapshot																																																																						
									Stats																																																																						

Total: 28 #1 save as portfolio | create alert Auto Refresh: 3min | off NEW

No.	▲ Ticker	Company		Sector	Industry	Country	Market Cap	P/E	Price	Change	Volume
1	AAP	Advance Auto Parts Inc.		Services	Auto Parts Stores	USA	10.36B	20.81	141.50	0.04%	1,226,800
2	AMP	Ameriprise Financial, Inc.		Financial	Asset Management	USA	13.78B	9.35	79.17	-1.98%	1,891,790
3	APD	Air Products and Chemicals, Inc.		Basic Materials	Chemicals - Major Diversified	USA	28.57B	21.89	132.46	1.31%	1,620,200
4	AVT	Avnet, Inc.		Services	Electronics Wholesale	USA	5.10B	9.37	38.87	-1.27%	1,480,400
5	CF	CF Industries Holdings, Inc.		Basic Materials	Agricultural Chemicals	USA	6.64B	7.49	28.47	1.64%	4,958,541
6	COTY	Coty Inc.		Consumer Goods	Personal Products	USA	9.24B	28.55	27.41	2.70%	2,493,700
7	CST	CST Brands, Inc.		Services	Specialty Retail, Other	USA	2.55B	11.86	33.69	1.66%	875,900
8	CSX	CSX Corp.		Services	Railroads	USA	23.28B	11.88	23.88	3.78%	16,047,300
9	DOS	Dillard's Inc.		Services	Department Stores	USA	2.53B	8.87	68.94	0.79%	559,900
10	DG	Dollar General Corporation		Services	Discount, Variety Stores	USA	20.23B	18.20	69.52	-0.27%	3,650,500
11	EMN	Eastman Chemical Co.		Basic Materials	Chemicals - Major Diversified	USA	8.68B	10.32	58.43	-0.58%	2,275,500
12	EMR	Emerson Electric Co.		Industrial Goods	Industrial Electrical Equipment	USA	30.17B	12.51	46.91	-0.32%	4,738,981
13	ETE	Energy Transfer Equity, L.P.		Basic Materials	Oil & Gas Pipelines	USA	4.77B	4.71	4.57	12.84%	53,561,400
14	GNC	GNC Holdings Inc.		Services	Drug Stores	USA	2.11B	9.72	25.56	-2.11%	2,078,200
15	GPC	Genuine Parts Company		Services	Specialty Retail, Other	USA	13.02B	18.62	86.39	1.31%	1,040,300
16	GPS	The Gap, Inc.		Services	Apparel Stores	USA	9.35B	9.54	23.27	-3.00%	8,751,100
17	JWN	Nordstrom Inc.		Services	Apparel Stores	USA	9.26B	14.47	50.34	-1.00%	4,308,100
18	KSS	Kohl's Corp.		Services	Department Stores	USA	7.86B	11.04	41.40	-2.84%	3,395,900
19	M	Macy's, Inc.		Services	Department Stores	USA	12.42B	10.37	39.51	-0.35%	4,082,500
20	MHFI	McGraw Hill Financial, Inc.		Services	Business Services	USA	22.59B	19.86	83.59	0.26%	2,284,800

Filters: cap:midover fa_div:pos fa_eps5years:pos fa_epsyoy:pos fa_estitgrowth:pos fa_grossma...

export

1 2 next

Search ticker, company or profile



Home News Screener Maps Groups Portfolio Insider Futures Forex Backtests Elite

Wealthy Education

My Presets Order: Ticker Asc Signal: None (all stocks) Tickers: > Filters ▲

Filters: 14 Descriptive(4) Fundamental(10) Technical All(14)

P/E	Any	Forward P/E	Any	PEG	Any	P/S	Any	P/B	Any
Price/Cash	Any	Price/Free Cash Flow	Any	EPS growth this year	Positive (>0%)	EPS growth next year	Any	EPS growth past 5 years	Positive (>0%)
EPS growth next 5 years	Positive (>0%)	Sales growth past 5 years	Positive (>0%)	EPS growth qtr over qtr	Any	Sales growth qtr over qtr	Any	Return on Assets	Any
Return on Equity	Over +10%	Return on Investment	Positive (>0%)	Current Ratio	Any	Quick Ratio	Any	LT Debt/Equity	Any
Debt/Equity	Any	Gross Margin	Positive (>0%)	Operating Margin	Positive (>0%)	Net Profit Margin	Positive (>0%)	Payout Ratio	Any
Insider Ownership	Any	Insider Transactions	Positive (>0%)	Institutional Ownership	Any	Institutional Transactions	Any		Reset (14)

Overview Valuation Financial Ownership Performance Technical Custom Charts Tickers Basic TA News Snapshot Stats

Total: 28 #21 We have totally 28 stocks to evaluate.

save as portfolio | create alert

Auto Refresh: 3min | off NEW

Page 2/2

No.	Ticker	Company	Sector	Industry	Country	Market Cap	P/E	Price	Change	Volume
21	OKE	ONEOK Inc.	Utilities	Gas Utilities	USA	4.32B	13.66	20.63	-10.92%	8,739,400
22	PSX	Phillips 66	Basic Materials	Oil & Gas Refining & Marketing	USA	40.24B	8.80	75.44	-1.10%	4,237,100
23	STWD	Starwood Property Trust, Inc.	Financial	REIT - Diversified	USA	4.16B	9.37	17.52	-1.52%	1,918,000
24	TIF	Tiffany & Co.	Services	Jewelry Stores	USA	7.97B	16.23	62.17	-1.19%	2,299,300
25	TLLP	Tesoro Logistics LP	Basic Materials	Oil & Gas Equipment & Services	USA	3.46B	17.13	38.36	-4.12%	709,200
26	TXRH	Texas Roadhouse, Inc.	Services	Restaurants	USA	2.53B	27.53	36.07	-1.31%	932,400
27	WHR	Whirlpool Corp.	Consumer Goods	Appliances	USA	10.72B	13.94	137.04	1.33%	1,058,300
28	WMT	Wal-Mart Stores Inc.	Services	Discount, Variety Stores	USA	210.72B	14.12	65.81	-1.63%	14,134,200

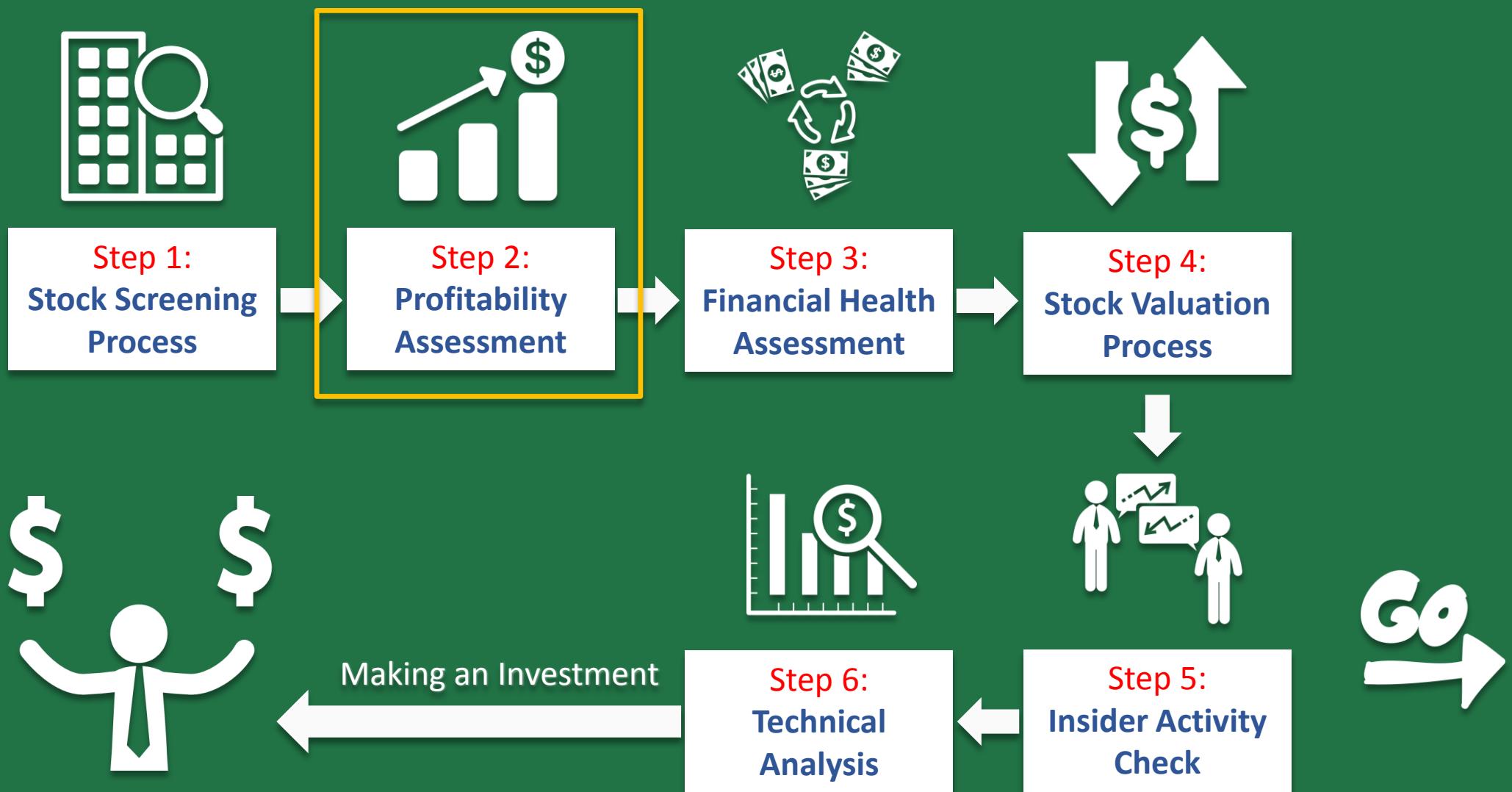
Filters: cap:midover fa_div:pos fa_eps5years:pos fa_epsyoy:pos fa_estlgrowth:pos fa_grossma...

export

prev 1 2



Value Investing Process





Profitability Assessment



Step 2:
Profitability
Assessment

Investment Research Sites:

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



Stock Picking 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

Consistently
Growing
or
Remain Stable





PROFITABILITY ASSESSMENT (cont.)

❖ 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



Texas Roadhouse Inc TXRH

Quote	Chart	Stock Analysis	Performance	Key Ratios	Financials	Valuation	Insiders	Ownership	Filings	Bonds	
Income Statement		Balance Sheet		Cash Flow							
Statement Type	Data Type	Period	Show Report Dates		Data Scroll	View	Rounding	Export			
Annual	As of Reported	5 Years	Ascending			\$ %	1.0 -0.0 +0.0				
Fiscal year ends in December											
USD in Million except per share data			2011-12	2012-12	2013-12	2014-12	2015-12	TTM			
Revenue			1,109	1,263	1,423	1,582	1,807	1,807			
Cost of revenue			901	1,021	1,158	1,292	1,444	1,444			
Gross profit			208	242	265	290	364	364			
▼ Operating expenses											
Sales, General and adm...			69	83	95	100	149	149			
Other operating expens...			44	48	50	60	71	71			
Total operating expens...			113	131	145	160	219	219			
Operating income			95	110	120	130	145	145			
Interest Expense			2	2	—	—	2	2			
Other income (expense)			0	0	(1)	(0)	2	2			
Income before taxes			93	109	118	130	144	144			
Provision for income t...			27	35	34	39	43	43			
Net income from contin...			66	74	84	91	101	101			
Other			(2)	(3)	(4)	(4)	(4)	(4)			
Net income			64	71	80	87	97	97			
Net income available t...			64	71	80	87	97	97			
Earnings per share											
Basic			0.90	1.02	1.15	1.25	1.38	1.38			
Diluted			0.88	1.00	1.13	1.23	1.37	1.37			
Weighted average share...											
Basic			71	70	70	70	70	70			
Diluted			72	71	71	71	71	71			
EBITDA			138	158	171	190	216	216			

Net Income & Sales Revenue consistently growing Over the past 5 years

Passed our criteria

Texas Roadhouse Inc TXRH

Quote Chart Stock Analysis Performance Key Ratios **Financials** Valuation Insiders Ownership Filings Bonds

Income Statement Balance Sheet Cash Flow

Statement Type Data Type Period Show Report Dates Data Scroll View Rounding Export

Fiscal year ends in December
USD in Million except per share data

	2014-12	2015-03	2015-06	2015-09	2015-12	TTM
Revenue	104	460	455	438	154	1,807
Cost of revenue	335	370	378	362	334	1,444
Gross profit	70	91	77	76	120	364
Operating expenses						
Sales, General and adm...	26	26	29	28	67	149
Other operating expens...	16	16	17	18	20	71
Total operating expens...	43	42	45	46	86	219
Operating income	27	49	32	31	34	145
Interest Expense	—	—	—	—	—	2
Other income (expense)	0	(0)	(0)	(0)	(0)	2
Income before taxes	27	48	32	31	34	144
Provision for income t...	8	15	9	9	10	43
Net income from contin...	20	34	22	21	24	101
Other						
Net income						
Net income available t...						
Earnings per share						
Basic	0.27	0.46	0.30	0.29	0.33	1.38
Diluted	0.26	0.46	0.30	0.29	0.32	1.37
Weighted average share...						
Basic	69	70	70	70	70	70
Diluted	71	71	71	71	71	71
EBITDA	42	65	49	48	54	216

Change Statement Type To "Quarterly"

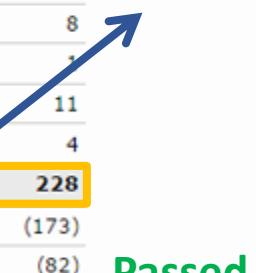
$$\text{EPS Change} = \left(\frac{0.33}{0.27} - 1 \right) \times 100 = 22\%$$

→ Passed our criteria

Texas Roadhouse Inc TXRH

Quote	Chart	Stock Analysis	Performance	Key Ratios	Financials	Valuation	Insiders	Ownership	Filings	Bonds
Income Statement	Balance Sheet	Cash Flow								
Statement Type	Data Type	Period	Show Report Dates	Data Scroll	Rounding	Export				
Annual	As of Reported	5 Years	Ascending		.0					
Fiscal year ends in December										
USD in Million except per share data										
		2011-12	2012-12	2013-12	2014-12	2015-12	TTM			
▼ Cash Flows From Operat...										
Net income		66	74	84	91	101	101			
Depreciation & amortiz...		43	47	52	59	70	70			
Investment/asset impai...		1	1	0	1	1	1			
Deferred income taxes		0	(2)	(1)	(0)	0	0			
Stock based compensati...		11	13	15	15	23	23			
Inventory		(2)	(0)	(1)	(2)	(1)	(1)			
Prepaid expenses		0	1	(3)	(0)	2	2			
Accounts payable		6	(0)	6	5	8	8			
Accrued liabilities		8	2	8	6	8	8			
Income taxes payable		—	—	—	0	1	1			
Other working capital		2	8	13	13	11	11			
Other non-cash items		3	3	2	4	4	4			
Net cash provided by o...		138	146	174	192	228	228			
► Cash Flows From Invest...		(82)	(88)	(111)	(124)	(173)	(173)			
► Cash Flows From Financ...		(64)	(55)	(49)	(76)	(82)	(82)			
Net change in cash		(8)	3	13	(9)	(27)	(27)			
Cash at beginning of p...		82	79	82	95	86	86			
Cash at end of period		74	82	95	86	59	59			
Free Cash Flow										
Operating cash flow		138	146	174	192	228	228			
Capital expenditure		(82)	(85)	(111)	(125)	(173)	(173)			
Free cash flow		56	61	62	66	54	54			

**Cash Flow
From Operations
consistently growing
Over the past 5 years**



Passed our criteria

Texas Roadhouse Inc TXRH

Add to Portfolio Get E-mail Alerts Print This Page PDF Report Data Question

Quote Chart Stock Analysis Performance **Key Ratios** Financials Valuation Insiders Ownership Filings Bonds

Key Ratios

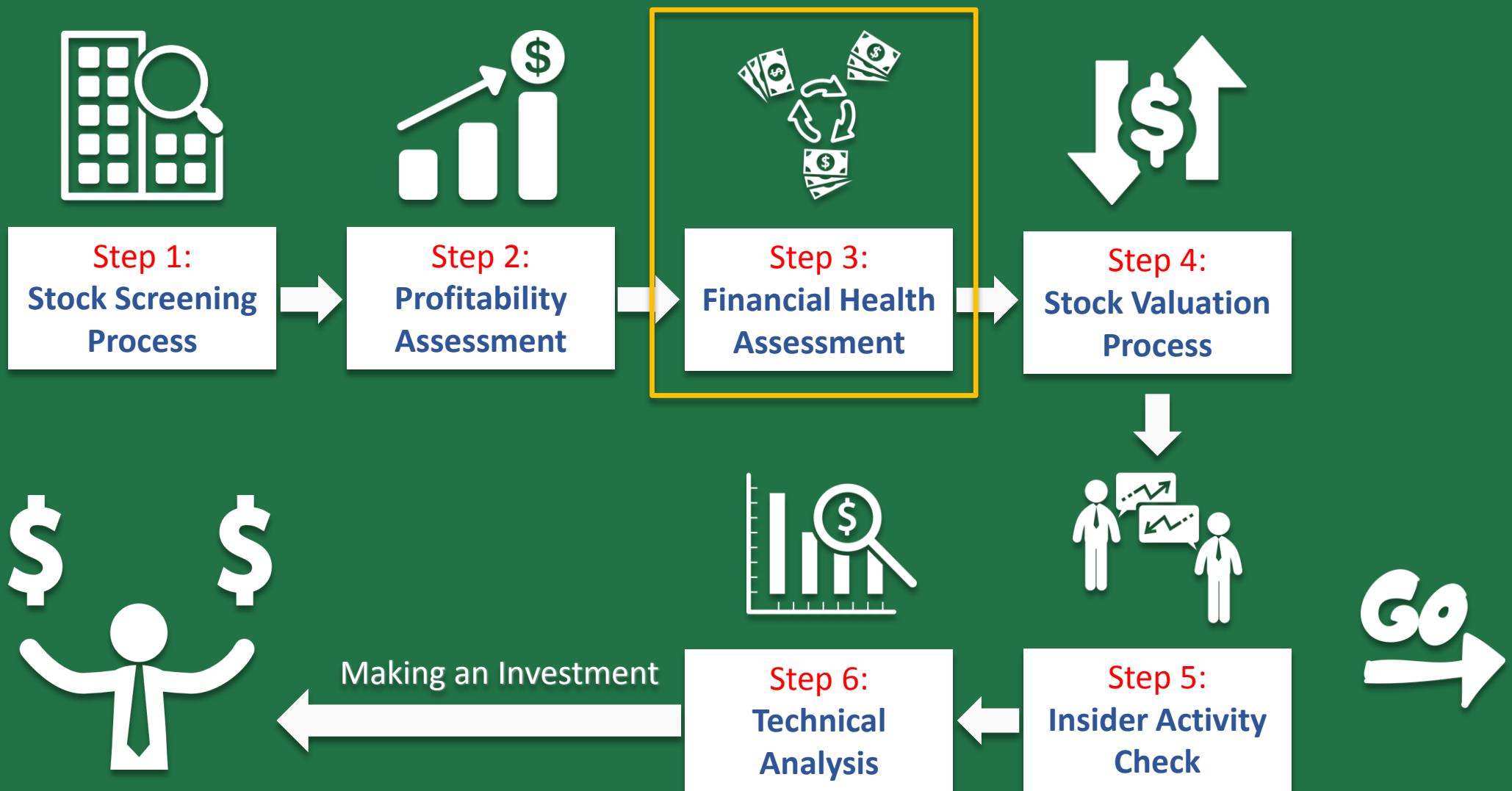
Profitability	Growth	Cash Flow	Financial Health	Efficiency Ratios										
Margins % of Sales				2006-12	2007-12	2008-12	2009-12	2010-12	2011-12	2012-12	2013-12	2014-12	2015-12	TTM
Revenue	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
COGS	79.44	81.84	83.45	81.54	80.75	81.21	80.86	81.37	81.65	79.87	79.87			
Gross Margin	20.56	18.16	16.55	18.46	19.25	18.79	19.14	18.63	18.35	20.13	20.13			
SG&A	7.88	5.19	4.98	5.65	5.92	6.24	6.57	6.69	6.33	8.22	8.22			
R&D	—	—							—	—	—	—	—	—
Other	3.58	4.38							3.53	3.78	3.91	3.91		
Operating Margin	9.11	8.60							8.42	8.25	8.00	8.00		
Net Int Inc & Other	-0.16	-0.37							-0.10	-0.03	-0.02	-0.02		
EBT Margin	8.94	8.23							8.31	8.21	7.98	7.98		

TTM ROE > 15%
Average ROE (3 years) > 12%
→ Passed our criteria

Profitability	2006-12	2007-12	2008-12	2009-12	2010-12	2011-12	2012-12	2013-12	2014-12	2015-12	TTM
Tax Rate %	36.30	35.00	33.69	32.26	31.33	28.72	32.01	28.88	30.00	29.80	29.80
Net Margin %	5.70	5.35	4.34	5.04	5.80	5.77	5.63	5.65	5.50	5.36	5.36
Asset Turnover (Average)	1.56	1.47	1.51	1.47	1.47	1.54	1.65	1.70	1.74	1.83	1.83
Return on Assets %	8.89	7.88	6.53	7.39	8.54	8.86	9.29	9.64	9.56	9.81	9.81
Financial Leverage (Average)	1.42	1.49	1.73	1.58	1.42	1.51	1.51	1.49	1.55	1.54	1.54
Return on Equity %	12.35	11.46	10.49	12.17	12.71	12.94	14.00	14.45	14.56	15.17	15.17
Return on Invested Capital %	11.59	10.34	8.79	9.80	11.23	11.91	12.87	13.23	13.41	14.51	14.51
Interest Coverage	—	—	—	23.25	34.06	39.62	47.25	—	—	74.63	74.63



Value Investing Process





Financial Health Assessment



Step 3:
Financial Health
Assessment



Investment Research Sites:

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



Stock Picking Criteria



Debt Settlement Capacity

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



FINANCIAL HEALTH ASSESSMENT (cont.)

- ❖ 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



Texas Roadhouse Inc TXRH

Add to Portfolio Get E-mail Alerts Print This Page PDF Report Data Question

Quote Chart Stock Analysis Performance Key Ratios **Financials** Valuation Insiders Ownership Filings Bonds

Income Statement Balance Sheet **Cash Flow**

Statement Type	Data Type	Period	Show Report Dates	Data Scroll	Rounding	Export
Quarterly	As of Reported	5 Quarters	Ascending		.0 .0	

Fiscal year ends in December

	2014-09	2014-12	2015-03	2015-06	2015-09	TTM
► Cash Flows From Operat...	36	75	58	37	37	206
► Cash Flows From Invest...	(36)	(36)	(33)	(37)	(54)	(161)
► Cash Flows From Financ...	(18)	(13)	(12)	(27)	19	(32)
Net change in cash	(18)	27	12	(28)	2	13
Cash at beginning of p...	77	59	86	99	71	59
Cash at end of period	59	86	99	71	73	73

3 x Free Cash Flow = 3 x 45 = \$135 M

Free Cash Flow	Operating cash flow	36	75	58	37	37	206
	Capital expenditure	(36)	(36)	(33)	(37)	(54)	(161)
	<u>Free cash flow</u>	(0)	40	24	(0)	(17)	45

Texas Roadhouse Inc TXRH

Add to Portfolio Get E-mail Alerts Print This Page PDF Report ? Data Question

Most Recent Quarter

Quote	Chart	Stock Analysis	Performance	Key Ratios	Financials	Valuation	Insiders	Ownership	Filings	Bonds
Income Statement	Balance Sheet		Cash Flow							
	<input type="button" value="Statement Type"/> <input type="button" value="Data Type"/> <input type="button" value="Period"/> <input type="button" value="Show Report Dates"/> <input type="button" value="Data Scroll"/> <input type="button" value="View"/> <input type="button" value="Rounding"/> <input type="button" value="Export"/>									
	Statement Type	Data Type	Period	Show Report Dates	Data Scroll	View	Rounding	Export		
	Quarterly	As of Reported	5 Quarters	Ascending		\$ % 1.0	.0 .0			
<small>Fiscal year ends in December USD in Million except per share data</small>										
► Assets			2014-09	2014-12	2015-03	2015-06	2015-09			
▼ Liabilities and stockh...			876	943	960	966	992			
▼ Liabilities										
▼ Current liabilities										
Short-term debt			0	0	0	0	20			
Accounts payable			38	44						
Taxes payable			22	19						
Accrued liabilities			62	63						
Deferred revenues			33	79						
Other current liabilit...			10	10	12	12	12			
Total current liabilit...			165	216	208	202	215			
▼ Non-current liabilities										
Long-term debt			51	51	51	51	51			
Deferred taxes liability			3	6	5	2	—			
Minority interest			7	7	7	7	7			
Other long-term liabilities			55	56	57	60	61			
Total non-current liabilities			115	119	119	119	119			
Total liabilities			280	335	328	321	334			
► Stockholders' equity			596	608	633	645	658			
Total liabilities and ...			876	943	960	966	992			

Change Statement Type To “Quarterly”

Long-term Debt < \$135 M (3 x FCF)
→ Passed our criteria

51

Texas Roadhouse Inc TXRH

Add to Portfolio Get E-mail Alerts Print This Page PDF Report Data Question

Quote Chart Stock Analysis Performance **Key Ratios** Financials Valuation Insiders Ownership Filings Bonds

Key Ratios

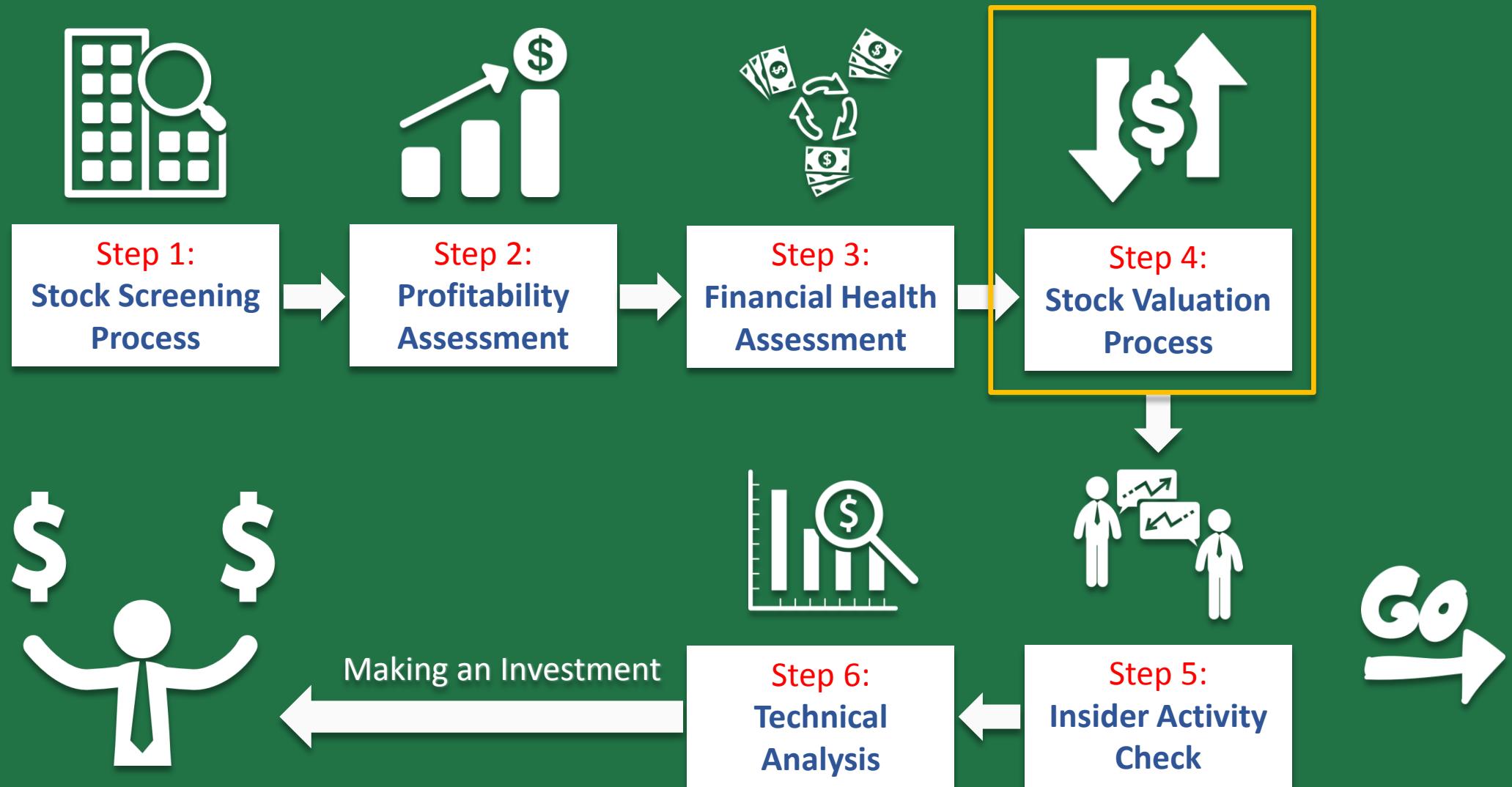
Profitability	Growth	Cash Flow	Financial Health	Efficiency Ratios								
Balance Sheet Items (in %)												
Cash & Short-Term Investments			7.46	2.12	0.84	7.08	11.70	9.95	10.33	10.81	9.13	5.75
Accounts Receivable			1.83	3.35	1.59	1.86	1.79	2.23	2.07	2.89	3.61	4.40
Inventory			1.42	1.33	1.31	1.21	1.31	1.45	1.38	1.36	1.51	1.51
Total Current Assets	11.60	7.62	5.59	11.22	16.21	15.12	15.48	16.61	15.66	12.96	12.96	
Net PP&E			67.55	71.49	73.26	68.92	65.31	67.13	67.19	66.79	68.88	72.75
Intangibles			20.22	20.19	20.49	18.83	17.35	16.20	15.51	14.25	13.02	11.76
Total Assets	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	
Accounts Payable			4.15	4.34	5.17	4.21	3.82					
Short-Term Debt			0.14	0.06	0.04	—	—					
Taxes Payable			—	—	—	0.94	—					
Accrued Liabilities			6.32	5.76	5.62	5.96	6.51					
Other Short-Term Liabilities			6.61	6.01	5.18	5.24	5.61					
Total Current Liabilities	17.23	16.16	16.00	16.34	15.94							
Long-Term Debt			7.69	12.18	21.28	—	—					
Other Long-Term Liabilities			4.58	4.38	4.91	20.16	13.39	15.17	13.59	13.08	7.27	7.83
Total Liabilities	29.50	32.72	42.19	36.51	29.34	33.59	33.64	33.04	35.55	35.15	35.15	
Total Stockholders' Equity	70.50	67.28	57.81	63.49	70.66	66.41	66.36	66.96	64.45	64.85	64.85	
Total Liabilities & Equity	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	
Liquidity/Financial Health												
Current Ratio			0.67	0.47	0.35	0.69	1.02	0.82	0.77	0.83	0.68	0.52
Quick Ratio			0.54	0.34	0.15	0.55	0.85	0.66	0.62	0.69	0.56	0.41
Financial Leverage			1.42	1.49	1.73	1.58	1.42	1.51	1.51	1.49	1.55	1.54
Debt/Equity			0.11	0.18	0.37	0.24	0.10	0.13	0.10	0.09	0.08	0.04
												Latest Qtr

Current Ratio < 1.50

→ This company may not be able to settle its short-term debts by using its current assets



Value Investing Process





INTRINSIC VALUE CALCULATION

- ❖ **Step 1:** Find Needed Financial Figures
- ❖ **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





STEP 1: FIND NEEDED FINANCIAL FIGURES

- There are **14 figures** that we'll need to find:
 1. Free Cash Flow
 2. Number of Shares Outstanding
 3. Long-term Growth Rate
 4. Current Share Price
 5. Stock Beta
 6. Risk Free Rate
 7. Market Risk Premium
 8. Business Tax Rate
 9. Estimated Interest Rate
 10. Market Value of Equity
 11. Market Value of Debt
 12. Total Liabilities
 13. Cash & Cash Equivalents
 14. GDP Growth Rate





1 – Free Cash Flow (FCF)

- We'll use a **TTM Free Cash Flow** figure
- Trailing Twelve Months (TTM) is the timeframe of the past twelve months
- The TTM Free Cash Flow is simply the Free Cash Flow that the business generated in the past 12 months

→ A reason for using the TTM Free Cash Flow figure is because it's **more timely** than the previous year's Free Cash Flow figure





1 – Free Cash Flow (cont.)

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

- Find the Cash Flow Statement
- Use the **TTM Free Cash Flow** Figure
- You should avoid investing in businesses that have a negative

Free Cash Flow



Texas Roadhouse Inc TXRH

Add to Portfolio Get E-mail Alerts Print This Page PDF Report ? Data Question

Quote Chart Stock Analysis Performance Key Ratios **Financials** Valuation Insiders Ownership Filings Bonds

Income Statement Balance Sheet **Cash Flow**

Trailing Twelve Months (TTM)

Statement Type Data Type Period Show Report Dates Data Scroll Rounding Export
 Quarterly As of Reported 5 Quarters Ascending

Fiscal year ends in December

USD in Million except per share data

		2014-09	2014-12	2015-03	2015-06	2015-09	TTM
► Cash Flows From Operat...		36	75	58	37	37	206
► Cash Flows From Invest...		(36)	(36)	(33)	(37)	(54)	(161)
► Cash Flows From Financ...		(18)	(13)	(12)	(27)	19	(32)
Net change in cash		(18)	27	12	(28)	2	13
Cash at beginning of p...		77	59	86	99	71	59
Cash at end of period		59	86	99	71	73	73

Free Cash Flow

TTM Free Cash Flow = 45

Operating cash flow		36	75	58	37	37	206
Capital expenditure		(36)	(36)	(33)	(37)	(54)	(161)
Free cash flow		(0)	40	24	(0)	(17)	45



2 – Total Number of Shares Outstanding

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



i.e. TXRH currently has **70.14 million shares outstanding**



Texas Roadhouse Inc TXRH

[Add to Portfolio](#) [Get E-mail Alerts](#) [Print This Page](#) [PDF Report](#) [? Data Question](#)

[Quote](#) [Chart](#) [Stock Analysis](#) [Performance](#) [Key Ratios](#) [Financials](#) [Valuation](#) [Insiders](#) [Ownership](#) [Filings](#) [Bonds](#)

[Overview](#) [Company profile](#) [Industry Peers](#)

Last Price **\$ 36.45** Day Change **↑0.62 | 1.73%**

Fair Value Estimate	Open Price	Day Range	52-Week Range	Yield	Market Cap
Premium	\$ 35.86	35.86-36.64	31.55-40.82	1.87%	2.6 bil

Volume	Avg Vol.	Forward P/E	Price/Book	Price/Sales	Price/Cash Flow
496,104	642,362	19.8	3.9	1.5	12.5

70.14 Million Shares Outstanding

Company Profile TXRH

More...

What Does This Company Do?

Texas Roadhouse Inc is a full-service, casual dining restaurant company. It offers steaks, ribs, fish, seafood, chicken, pork chops, pulled pork and vegetable plates, and an assortment of hamburgers, salads and sandwiches.

[Visit Company Website](#)

Sector

Consumer Cyclical

Industry

Restaurants

Stock Type

Cyclical

Employees

43,300

Fiscal Year Ends

2015-12-31

Stock Style

Small Growth

Short Interest TXRH

Shares Outstanding

70.14 Mil

Float

55.29 Mil

Shares Short (as of 01/29/2016)

6.23 Mil

Short % of Float

11.26%

Short Ratio

8.49

Shares Short Chg. (from 01/15/2016)

9.41%

Filings TXRH

More ...

Financials

Announcements

Ownership

Proxy

Registration

Insider Activities



3 – Long-term Growth Rate

- ❖ Using Financial Data from **Yahoo Finance**
 - Consider the Estimated Growth Rate (next 5 years)
 - To be conservative, compare the company's projected growth rate with its industry figure
 - **Use the LOWEST Growth Rate**



More On TXRH

QUOTES

[Summary](#)[Order Book](#)[Options](#)[Historical Prices](#)

CHARTS

[Interactive](#)

NEWS & INFO

[Headlines](#)[Press Releases](#)[Company Events](#)[Message Boards](#)[Market Pulse](#)

COMPANY

[Profile](#)[Key Statistics](#)[SEC Filings](#)[Competitors](#)[Industry](#)[Components](#)

ANALYST COVERAGE

[Analyst Opinions](#)► [Analyst Estimates](#)

OWNERSHIP

[Major Holders](#)[Insider Transactions](#)[Insider Roster](#)

FINANCIALS

[Income Statement](#)[Balance Sheet](#)[Cash Flow](#)

Texas Roadhouse, Inc. (TXRH) - NasdaqGS ★ Watchlist

36.45 +0.62(1.73%)

Analyst Estimates

Get Analyst Estimates for:

GO

EPS Trends	Current Qtr. Dec 15	Next Qtr. Mar 16	Current Year Dec 15	Next Year Dec 16
Current Estimate	0.30	0.52	1.35	1.68
7 Days Ago	0.30	0.52	1.35	1.68
30 Days Ago	0.30	0.52	1.35	1.68
60 Days Ago	0.31	0.52	1.35	1.68
90 Days Ago	0.31	0.51	1.35	1.68

EPS Revisions	Current Qtr. Dec 15	Next Qtr. Mar 16	Current Year Dec 15	Next Year Dec 16
Up Last 7 Days	0	0	0	0
Up Last 30 Days	0	0	0	0
Down Last 30 Days	0	0	0	0
Down Last 90 Days	N/A	N/A	N/A	N/A

Growth Est	TXRH	Industry	Sector	S&P 500
Current Qtr.	15.40%	60.60%	39.90%	2.40%
Next Qtr.	13.00%	445.70%	2.60%	12.80%
This Year	9.80%	18.30%	12.60%	3.00%
Next Year	24.40%	24.60%	7.90%	9.10%
Past 5 Years (per annum)	11.48%	N/A	N/A	N/A
Next 5 Years (per annum)	13.98%	17.65%	14.72%	4.88%
Price/Earnings (avg. for comparison categories)	26.54	19.75	9.09	23.02
PEG Ratio (avg. for comparison categories)	1.90	1.62	-0.55	1.37

Use the Lowest Growth Rate
13.98%

To be more conservative
→ 12% ←



4 – Current Share Price



i.e. TXRH is **currently selling at \$36.45**



More On TXRH

Texas Roadhouse, Inc. (TXRH) - NasdaqGS ★ Watchlist

36.45 +0.62 (1.73%)[QUOTES](#)
[Summary](#)
[Order Book](#)
[Options](#)
[Historical Prices](#)[CHARTS](#)
[Interactive](#)
[NEWS & INFO](#)
[Headlines](#)
[Press Releases](#)
[Company Events](#)
[Message Boards](#)
[Market Pulse](#)[COMPANY](#)
[Profile](#)
[Key Statistics](#)
[SEC Filings](#)
[Competitors](#)
[Industry](#)
[Components](#)[ANALYST COVERAGE](#)[Analyst Opinion](#)
► **Analyst Estimates**[OWNERSHIP](#)
[Major Holders](#)
[Insider Transactions](#)
[Insider Roster](#)[FINANCIALS](#)
[Income Statement](#)
[Balance Sheet](#)
[Cash Flow](#)

Analyst Estimates

Current Share Price

Get Analyst Estimates for:

GO

EPS Trends	Current Qtr. Dec 15	Next Qtr. Mar 16	Current Year Dec 15	Next Year Dec 16
Current Estimate	0.30	0.52	1.35	1.68
7 Days Ago	0.30	0.52	1.35	1.68
30 Days Ago	0.30	0.52	1.35	1.68
60 Days Ago	0.31	0.52	1.35	1.68
90 Days Ago	0.31	0.51	1.35	1.68

EPS Revisions	Current Qtr. Dec 15	Next Qtr. Mar 16	Current Year Dec 15	Next Year Dec 16
Up Last 7 Days	0	0	0	0
Up Last 30 Days	0	0	0	0
Down Last 30 Days	0	0	0	0
Down Last 90 Days	N/A	N/A	N/A	N/A

Growth Est	TXRH	Industry	Sector	S&P 500
Current Qtr.	15.40%	60.60%	39.90%	2.40%
Next Qtr.	13.00%	445.70%	2.60%	12.80%
This Year	9.80%	18.30%	12.60%	3.00%
Next Year	24.40%	24.60%	7.90%	9.10%
Past 5 Years (per annum)	11.48%	N/A	N/A	N/A
Next 5 Years (per annum)	13.98%	17.65%	14.72%	4.88%
Price/Earnings (avg. for comparison categories)	26.54	19.75	9.09	23.02
PEG Ratio (avg. for comparison categories)	1.90	1.62	-0.55	1.37



5 – Stock Beta

- ❖ Using Financial Data from **Yahoo Finance**
 - Under “Key Statistics”
 - Find the **Beta** figure on the right column
 - i.e. TXRH **currently has a stock beta of 0.57**





6 – Risk Free Rate

- The Risk Free Rate is the minimum rate of return that investors expect to earn from an investment without any risks
- We'll use a return of the 10-Year Government's Bond as a Risk Free Rate
- The Risk Free Rate varies among different countries, and you can easily find your country's Long-term Government's Bond Rate of Return on the Internet.

→ Visit: <http://www.investing.com/rates-bonds/>



United States - Government Bonds



→ Worldwide

→ Americas

→ Europe

→ Middle East

→ Asia/Pacific

→ Africa

Find Government Bonds

Select Your Country!

Country of Listing:

United States

By Maturity:

5 year

to: 30 year



Search

United States »

Yield Curve

Investing.com

Name	Yield	Prev.	High	Low	Chg.	Chg. %	Time
🇺🇸 US 5Y Yield	1.206	1.108	1.219	1.120	+0.098	+8.81%	12/02
🇺🇸 US 7Y Yield	1.500	1.392	1.514	1.400	+0.108	+7.72%	12/02
🇺🇸 US 10Y Yield	1.746	1.644	1.758	1.647	+0.102	+6.23%	12/02
🇺🇸 US 30Y Yield	2.603	2.520	2.616	2.505	+0.082	+3.27%	12/02



7 – Market Risk Premium

- The Market Risk Premium is the rate of return over the Risk Free Rate required by the investors
- Similar to the Risk Free Rate, the Market Risk Premium varies among different countries
- **Estimated** figure – It's challenging to find the exact number!
→ Free Download: www.WealthyEducation.com





7 – Market Risk Premium (cont.)

122	Taiwan	6.48%
123	Tanzania	11.06%
124	Thailand	7.94%
125	Togo	13.65%
126	Trinidad & Tobago	7.94%
127	Tunisia	10.87%
128	Turkey	8.82%
129	Uganda	12.19%
130	Ukraine	20.23%
131	United Arab Emirates	6.34%
132	United Kingdom	6.19%
133	United States	5.61%
134	Uruguay	8.38%
135	Venezuela	16.57%
136	Vietnam	12.19%
137	Yemen	14.62%
138	Zambia	12.19%
139	Zimbabwe	17.30%

Market Risk Premium Data

Download FREE at

WealthyEducation.com





8 – Business Tax Rate

- You can easily find the **Business Tax Rate** from **Morningstar.com** or on the company's annual reports (financial statements)



Texas Roadhouse Inc TXRH

Add to Portfolio Get E-mail Alerts Print This Page PDF Report ? Data Question

Quote Chart Stock Analysis Performance **Key Ratios** Financials Valuation Insiders Ownership Filings Bonds

Key Ratios

Profitability	Growth	Cash Flow	Financial Health	Efficiency Ratios										
Margins % of Sales				2005-12	2006-12	2007-12	2008-12	2009-12	2010-12	2011-12	2012-12	2013-12	2014-12	TTM
Revenue	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
COGS	79.25	79.44	81.84	83.45	81.54	80.75	81.21	80.86	81.37	81.65	82.17			
Gross Margin	20.75	20.56	18.16	16.55	18.46	19.25	18.79	19.14	18.63	18.35	17.83			
SG&A	7.27	7.88	5.19	4.98	5.65	5.92	6.24	6.57	6.69	6.33	6.16			
R&D	—	—	—	—	—	—	—	—	—	—	—			
Other	3.18	3.58	4.38	4.53	4.76	4.31	3.96	3.83	3.53	3.78	3.82			
Operating Margin	10.31	9.11	8.60	7.04	8.05	9.02	8.59	8.74	8.42	8.25	7.85			
Net Int Inc & Other	-0.15	-0.16	-0.37	-0.51	-0.32	-0.22	-0.18	-0.15	-0.10	-0.03	—			
EBT Margin	10.16	8.94	8.23	6.54	7.73	8.79	8.40	8.59	8.31	8.21	7.84			

Profitability	2005-12	2006-12	2007-12	2008-12	2009-12	2010-12	2011-12	2012-12	2013-12	2014-12	TTM
Tax Rate %	34.95	36.30	35.00	33.69	32.26	31.33	28.72	32.01	28.88	30.00	29.71
Net Margin %	6.61	5.70	5.35	4.34	5.04	5.80	5.77	5.63	5.65	5.50	5.26
Asset Turnover (Average)	1.56	1.56	1.47	1.51	1.47	1.47	1.54	1.65	1.70	1.74	1.88
Return on Assets %	10.29	8.89	7.88	6.53	7.39	8.54	8.86	9.29	9.64	9.56	9.90
Financial Leverage (Average)	1.35	1.42	1.49	1.73	1.58	1.42	1.51	1.51	1.49	1.55	1.51
Return on Equity %	14.98	12.35	11.46	10.49	12.17	12.71	12.94	14.00	14.45	14.56	14.75
Return on Invested Capital %	14.30	11.59	10.34	8.79	9.80	11.23	11.91	12.87	13.23	13.41	13.45
Interest Coverage	—	—	—	—	23.25	34.06	39.62	47.25	—	—	—



9 – Estimated Long-term Interest Rate

- You can find the Interest Rate on the company's Annual Report
- Go to the company's website and find the previous year's Annual Report
- Skim the Annual Report and search for the Interest Rate
- **Using the highest Long-term Interest Rate** (be conservative) if you don't know how to calculate the Weighted Average Interest Rate
- **Interest Rate: 3.96%**





10 – Market Value of Equity

- ❖ Market Value of Equity is known as Market Capitalization
- ❖ Using Financial Data from **Yahoo Finance**
 - Under “Key Statistics”
 - Find the **Market Cap** figure on the right column
 - i.e. GPRO **currently has a Market Cap of \$2.56 Billion**



More On TXRH

QUOTES
Summary
Order Book
Options
Historical Prices

CHARTS
Interactive

NEWS & INFO
Headlines
Press Releases
Company Events
Message Boards
Market Pulse

COMPANY

Profile
► Key Statistics
SEC Filings

Competitors
Industry
Components

ANALYST COVERAGE
Analyst Opinion
Analyst Estimates

OWNERSHIP
Major Holders
Insider Transactions
Insider Roster

FINANCIALS
Income Statement
Balance Sheet
Cash Flow

Texas Roadhouse, Inc. (TXRH) - NasdaqGS ★ Watchlist

36.45 +0.62 (1.73%)

**Market Cap
\$2.56 Billion**

Key Statistics

Get Key Statistics for: GO

Data provided by Capital IQ, except where noted.

Valuation Measures

Market Cap (intraday) ³ :	2.56B
Enterprise Value (Feb 13, 2016) ³ :	2.51B
Trailing P/E (ttm, intraday):	27.82
Forward P/E (fy Dec 30, 2016) ¹ :	21.70
PEG Ratio (5 yr expected) ¹ :	1.90
Price/Sales (ttm):	1.43
Price/Book (mrq):	3.82
Enterprise Value/Revenue (ttm) ³ :	1.43
Enterprise Value/EBITDA (ttm) ⁶ :	12.25

Financial Highlights

Fiscal Year

Fiscal Year Ends:	Dec 30
Most Recent Quarter (mrq):	Sep 29, 2015

Profitability

Profit Margin (ttm):	5.26%
Operating Margin (ttm):	7.88%

Management Effectiveness

Return on Assets (ttm):	9.27%
Return on Equity (ttm):	15.27%

Income Statement

Revenue (ttm):	1.76B
Revenue Per Share (ttm):	25.15

Trading Information

Stock Price History

Beta:	0.57
52-Week Change ³ :	4.83%
S&P500 52-Week Change ³ :	-11.22%
52-Week High (Aug 3, 2015) ³ :	40.82
52-Week Low (Aug 24, 2015) ³ :	31.55
50-Day Moving Average ³ :	35.85
200-Day Moving Average ³ :	36.28

Share Statistics

Avg Vol (3 month) ³ :	641,824
Avg Vol (10 day) ³ :	846,200
Shares Outstanding ⁵ :	70.14M
Float:	63.28M
% Held by Insiders ¹ :	9.80%
% Held by Institutions ¹ :	87.60%
Shares Short (as of Jan 29, 2016) ³ :	6.23M
Short Ratio (as of Jan 29, 2016) ³ :	8.49
Short % of Float (as of Jan 29, 2016) ³ :	11.26%
Shares Short (prior month) ³ :	5.69M



11 – Market Value of Debt

- Because the business often has a lot of liabilities with different Interest Rates, it's typically challenging to calculate the Market Value of Debt
- In this case, we'll use the Book Value of Debt on the company's Balance Sheet as an Estimated Market Value (MV) of Debt
- **Estimated MV of Debt** = (Short-term Debt + Long-term Debt) **x 1.20**
- Assume that the Market Value will be **20%** greater than the Book Value



Texas Roadhouse Inc TXRH

Add to Portfolio Get E-mail Alerts Print This Page PDF Report ? Data Question

Most Recent Quarter

Quote	Chart	Stock Analysis	Performance	Key Ratios	Financials	Valuation	Insiders	Ownership	Filings	Bonds
Income Statement	Balance Sheet	Cash Flow								
<input type="button" value="Statement Type"/> <input checked="" type="button" value="Quarterly"/>	<input type="button" value="Data Type"/> <input type="button" value="As of Reported"/>	<input type="button" value="Period"/> <input type="button" value="5 Quarters"/>	<input type="button" value="Show Report Dates"/> <input type="button" value="Ascending"/>	<input type="button" value="Data Scroll"/>	<input type="button" value="View"/> <input type="button" value="\$ % 1.0"/>	<input type="button" value="Rounding"/> <input type="button" value="‐.0 +.0"/>	<input type="button" value="Export"/>			
Fiscal year ends in December										
USD in Million except per share data										
► Assets			2014-09	2014-12	2015-03	2015-06				2015-09
▼ Liabilities and stockh...										
▼ Liabilities										
▼ Current liabilities										
Short-term debt			0	0	0	0				20
Accounts payable			38	44	46	47				42
Taxes payable			22	19	29	23				27
Accrued liabilities			62	63	69	73				72
Deferred revenues			33	79	52	47				42
Other current liabilit...			10	10	12	12				12
Total current liabilit...			165	216	208	202				215
▼ Non-current liabilities										
Long-term debt			51	51	51	51				51
Deferred taxes liability			3	6	5	2				—
Minority interest			7	7	7	7				7
Other long-term liabilities			55	56	57	60				61
Total non-current liabilities			115	119	119	119				119
Total liabilities			280	335	328	321				334
► Stockholders' equity			596	608	633	645				658
Total liabilities and ...			876	943	960	966				992

MV of Debt = (Short-term Debt + Long-term Debt) x 1.2 = \$85.2 Million



12 – Total Liabilities

- ❖ Using Financial Data from **Morningstar.com**
 - Find the company's **Balance Sheet**
 - Using **Quarterly** Financial Data
 - Using the **Total Liabilities** figure reported in the most recent quarter
- ➔ This figure will be used to calculate Intrinsic Value per share





13 – Total Cash & Cash Equivalents

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

- Find the company's **Balance Sheet**
 - Using **Quarterly** Financial Data
 - Using the **Cash & Cash Equivalents** reported in the most recent quarter
- ➔ This figure will be used to calculate Intrinsic Value per share



Texas Roadhouse Inc TXRH

Add to Portfolio Get E-mail Alerts Print This Page PDF Report ? Data Question

Most Recent Quarter

Quote	Chart	Stock Analysis	Performance	Key Ratios	Financials	Valuation	Insiders	Ownership	Filings	Bonds	
Income Statement		Balance Sheet		Cash Flow							
Statement Type <input type="button" value="Quarterly"/> Data Type <input type="button" value="As of Reported"/> Period <input type="button" value="5 Quarters"/> Show Report Dates <input type="button" value="Ascending"/> Data Scroll <input type="button" value="View"/> <input type="button" value="\$"/> <input type="button" value="%"/> <input type="button" value="1.0"/> Rounding <input type="button" value="-.0"/> <input type="button" value=".0"/> Export											
Fiscal year ends in December						2014-09	2014-12	2015-03	2015-06	2015-09	
USD in Million except per share data											
▼ Assets											
▼ Current assets											
▼ Cash											
Cash and cash equivale...		59	86	99	71					73	
Total cash		59	86	99	71					73	
Receivables		16	34	21	20					23	
Inventories		12	14	13	14					14	
Deferred income taxes		4	3	2	3					4	
Prepaid expenses		8	11	12	21					8	
Total current assets		99	148	146	129					122	
► Non-current assets		777	795	815	837					871	
Total assets		876	943	960	966					992	
▼ Liabilities and stock...											
▼ Liabilities											
► Current liabilities		165	216	208	202					215	
► Non-current liabilitie...		115	119	119	119					119	
Total liabilities		280	335	328	321					334	
► Stockholders' equity		596	608	633	645					658	
Total liabilities and ...		876	943	960	966					992	



14 – GDP Growth Rate

- ❖ Using Financial Data from **WorldBank.org**
 - Under “Data” / Economy & Growth / GDP Growth
 - Using **your country's GDP Growth Rate**
 - Using the most recent data
- ➔ This figure will be used to calculate the Terminal Value of the business



Data

[By Country](#) [By Topic](#) [Indicators](#) [Data Catalog](#) [Microdata](#) [Initiatives](#) [What's New](#) [Support](#) [Products](#)This page in [English](#) | [Español](#) | [Français](#) | [العربية](#) | [中文](#)

GDP growth (annual %)

TABLE

MAP

GRAPH

METADATA

Search all indicators

Go

Featured indicators

Economy & Growth

Agriculture, value added (% of GDP)

Cash surplus/deficit (% of GDP)

Central government debt, total (% of GDP)

Charges for the use of intellectual property, payments (BoP, current US\$)

Charges for the use of intellectual property, receipts (BoP, current US\$)

Current account balance (BoP, current US\$)

1981-1985 1986-1990 1991-1995 1996-2000 2001-2005 2006-2010 2011-2015

Country name 2011 2012 2013 2014

United Arab Emirates 4.9 4.7 5.2 3.6 ↘

United Kingdom 1.6 0.7 1.7 2.6 ↗

United States 1.6 2.3 2.2 2.4 ↗

Uruguay 5.2 3.3 5.1 3.5 ↗

Uzbekistan

Vanuatu

Venezuela, RB

Vietnam 6.2 5.2 5.4 6.0 ↘

Virgin Islands (U.S.)

West Bank and Gaza 7.9 14.5 -4.3 -1.5 ↗

Yemen, Rep. -15.1 2.5 4.2 ↗

Zambia 6.3 6.7 6.7 6.0 ↗

Zimbabwe 11.9 10.6 4.5 3.2 ↗

Calculate an Average Number
 $(1.6 + 2.3 + 2.2 + 2.4) / 4$

→ Perpetuity Growth Rate = 2.13%



STEP 2: CALCULATE THE DISCOUNT RATE

- ❖ WACC is **a blend of the cost of debt and the cost of equity** calculated based on the proportion of debt and equity in a company's financial structure
- ❖ **Every company has a different capital structure**
 - Equity Financing: capital from investors
 - Debt Financing: borrowings from banks, and financial institutions
- ➔ We'll use the **Weighted Average Cost of Capital** (WACC) as a Discount Rate



STEP 2: CALCULATE THE DISCOUNT RATE (cont.)

$$\text{WACC} = \frac{\text{MV of Equity}}{\text{Total MV of Debt & Equity}} \times R_E + \frac{\text{MV of Debt}}{\text{Total MV of Debt & Equity}} \times R_D$$

Cost of Debt (R_D) = Interest Rate $\times (1 - \text{Tax Rate})$

Cost of Equity (R_E) = Risk Free Rate + Stock Beta \times Market Risk Premium

Capital Asset Pricing Model (CAPM)

❖ Example – Texas Roadhouse Inc. (TXRH)

- Interest Rate: 3.96%
- Tax Rate: 29.71%
- Market Value of Equity: \$2,560 Million
- Market Value of Debt: \$85.2 Million
- Stock Beta: 0.57
- Risk Free Rate: 1.746%
- Market Risk Premium: 5.61%

$$\begin{aligned}\text{Cost of Equity (R}_E\text{)} &= \text{Risk Free Rate} + \text{Stock Beta} \times \text{Market Risk Premium} \\ &= 1.746\% + 0.57 \times 5.61\% \\ &= 4.944\%\end{aligned}$$

$$\begin{aligned}\text{Cost of Debt (R}_D\text{)} &= \text{Interest Rate} \times (1 - \text{Tax Rate}) \\ &= 3.96\% \times (1 - 29.71\%) \\ &= 2.783\%\end{aligned}$$

$$\begin{aligned}\text{WACC} &= \frac{\text{MV of Equity}}{\text{Total MV of Debt \& Equity}} \times R_E + \frac{\text{MV of Debt}}{\text{Total MV of Debt \& Equity}} \times R_D \\ &= \frac{2,560}{2,560+85.2} \times 4.944\% + \frac{85.2}{2,560+85.2} \times 2.783\% = 4.87\% \leftarrow \text{Discount Rate}\end{aligned}$$



STEP 3-6: DISCOUNTED CASH FLOW VALUATION

- ❖ 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

Total Cash & Cash Equivalents

Total Liabilities

$$\text{Intrinsic Value per Share} = \frac{\text{Present Value} + \text{Terminal Value} + \text{Cash} - \text{Debt}}{\text{Total Number of Shares Outstanding}}$$

- ➔ Step 6: Compare the Intrinsic Value with the Current Market Value





INTRINSIC VALUE CALCULATION

❖ Texas Roadhouse Inc. (TXRH):

- Current Share Price: \$36.45 a share
- Shares Outstanding: 70.14 Million Shares
- Free Cash Flow: \$45 Million
- Long-term Growth Rate: 12%
- Discount Rate (WACC): 4.87%



❖ Example – Texas Roadhouse Inc. (TXRH):

- Free Cash Flow: \$45 Million
- Long-term Growth Rate: 12%
- Shares Outstanding: 70.14 Million Shares
- Discount Rate: 4.87%
- Perpetuity Growth Rate: 2.13%
- Share Price: \$36.45

Projected FCF = Free Cash Flow x (1 + LT Growth Rate)ⁿ

	[Current]	[n = 1]	[n = 2]	[n = 3]	[n = 4]	[n = 5]	[n = 6]	[n = 7]	[n = 8]	[n = 9]	[n = 10]
	Y-0	Y-1	Y-2	Y-3	Y-4	Y-5	Y-6	Y-7	Y-8	Y-9	Y-10
Projected Free Cash Flow	45.00	50.40									
Discount Factor											
Discounted Free Cash Flow											

[n: number of year]

Projected FCF₁ = 45 × (1 + 0.12) = 50.40

❖ Example – Texas Roadhouse Inc. (TXRH):

- Free Cash Flow: \$45 Million
- Long-term Growth Rate: 12%
- Shares Outstanding: 70.14 Million Shares
- Discount Rate: 4.87%
- Perpetuity Growth Rate: 2.13%
- Share Price: \$36.45

Projected FCF = Free Cash Flow x (1 + LT Growth Rate)ⁿ

	[Current]	[n = 1]	[n = 2]	[n = 3]	[n = 4]	[n = 5]	[n = 6]	[n = 7]	[n = 8]	[n = 9]	[n = 10]
	Y-0	Y-1	Y-2	Y-3	Y-4	Y-5	Y-6	Y-7	Y-8	Y-9	Y-10
Projected Free Cash Flow	45.00	50.40	56.45								
Discount Factor											
Discounted Free Cash Flow											

[n: number of year]

Projected FCF₂ = 50.40 × (1 + 0.12) = 56.45

❖ Example – Texas Roadhouse Inc. (TXRH):

- Free Cash Flow: \$45 Million
- Long-term Growth Rate: 12%
- Shares Outstanding: 70.14 Million Shares
- Discount Rate: 4.87%
- Perpetuity Growth Rate: 2.13%
- Share Price: \$36.45

Projected FCF = Free Cash Flow x (1 + LT Growth Rate)ⁿ

	[Current]	[n = 1]	[n = 2]	[n = 3]	[n = 4]	[n = 5]	[n = 6]	[n = 7]	[n = 8]	[n = 9]	[n = 10]
	Y-0	Y-1	Y-2	Y-3	Y-4	Y-5	Y-6	Y-7	Y-8	Y-9	Y-10
Projected Free Cash Flow	45.00	50.40	56.45	63.22	70.81	79.31	88.82	99.48	111.42	124.79	139.76
Discount Factor											
Discounted Free Cash Flow											

[n: number of year]

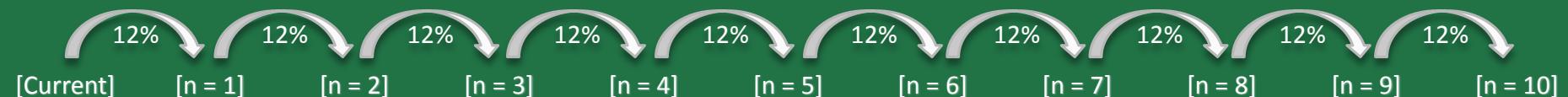
Use the given formula to calculate other years' Projected FCF

❖ Example – Texas Roadhouse Inc. (TXRH):

- Free Cash Flow: \$45 Million
- Long-term Growth Rate: 12%
- Shares Outstanding: 70.14 Million Shares
- Discount Rate: 4.87%
- Perpetuity Growth Rate: 2.13%
- Share Price: \$36.45

Projected FCF = Free Cash Flow x (1 + LT Growth Rate)ⁿ

$$\text{Discount Factor} = \frac{1}{(1 + \text{Discount Rate})^n}$$



	Y-0	Y-1	Y-2	Y-3	Y-4	Y-5	Y-6	Y-7	Y-8	Y-9	Y-10
Projected Free Cash Flow	45.00	50.40	56.45	63.22	70.81	79.31	88.82	99.48	111.42	124.79	139.76
Discount Factor		0.9535									
Discounted Free Cash Flow											

[n: number of year]

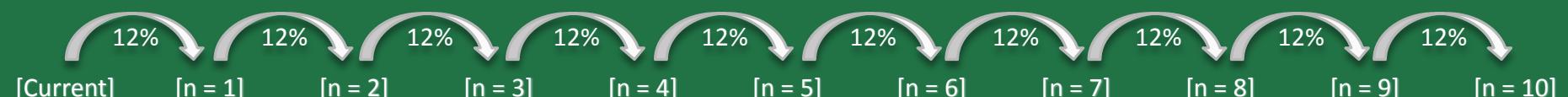
$$DF_1 = \frac{1}{(1 + 4.87\%)^1} = 0.9535$$

❖ Example – Texas Roadhouse Inc. (TXRH):

- Free Cash Flow: \$45 Million
- Long-term Growth Rate: 12%
- Shares Outstanding: 70.14 Million Shares
- Discount Rate: 4.87%
- Perpetuity Growth Rate: 2.13%
- Share Price: \$36.45

Projected FCF = Free Cash Flow x (1 + LT Growth Rate)ⁿ

$$\text{Discount Factor} = \frac{1}{(1 + \text{Discount Rate})^n}$$



	Y-0	Y-1	Y-2	Y-3	Y-4	Y-5	Y-6	Y-7	Y-8	Y-9	Y-10
Projected Free Cash Flow	45.00	50.40	56.45	63.22	70.81	79.31	88.82	99.48	111.42	124.79	139.76
Discount Factor		0.9535	0.9093								
Discounted Free Cash Flow											

[n: number of year]

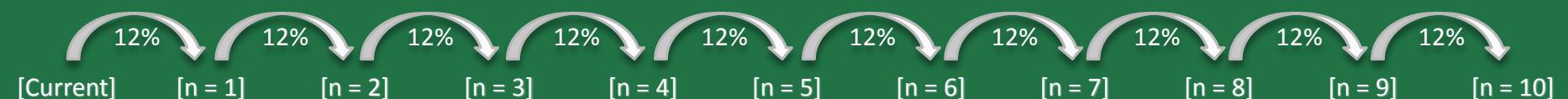
$$DF_2 = \frac{1}{(1 + 4.87\%)^2} = 0.9093$$

❖ Example – Texas Roadhouse Inc. (TXRH):

- Free Cash Flow: \$45 Million
- Long-term Growth Rate: 12%
- Shares Outstanding: 70.14 Million Shares
- Discount Rate: 4.87%
- Perpetuity Growth Rate: 2.13%
- Share Price: \$36.45

Projected FCF = Free Cash Flow x (1 + LT Growth Rate)ⁿ

$$\text{Discount Factor} = \frac{1}{(1 + \text{Discount Rate})^n}$$



[n: number of year]

Use the given formula to calculate other years' Discount Factor

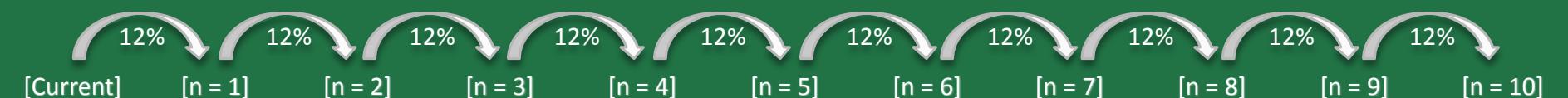
❖ Example – Texas Roadhouse Inc. (TXRH):

- Free Cash Flow: \$45 Million
- Long-term Growth Rate: 12%
- Shares Outstanding: 70.14 Million Shares
- Discount Rate: 4.87%
- Perpetuity Growth Rate: 2.13%
- Share Price: \$36.45

Projected FCF = Free Cash Flow x (1 + LT Growth Rate)ⁿ

×

$$\text{Discount Factor} = \frac{1}{(1 + \text{Discount Rate})^n}$$



	Y-0	Y-1	Y-2	Y-3	Y-4	Y-5	Y-6	Y-7	Y-8	Y-9	Y-10
Projected Free Cash Flow	45.00	50.40	56.45	63.22	70.81	79.31	88.82	99.48	111.42	124.79	139.76
Discount Factor		0.9535	0.9093	0.8670	0.8267	0.7883	0.7517	0.7168	0.6835	0.6518	0.6215
Discounted Free Cash Flow		48.06	51.33	54.81	58.54	62.52	66.77	71.31	76.16	81.33	86.86

[n: number of year]

**Multiply each year's FCF by the Discount Factor
to get the Discounted Value of each cash flow**

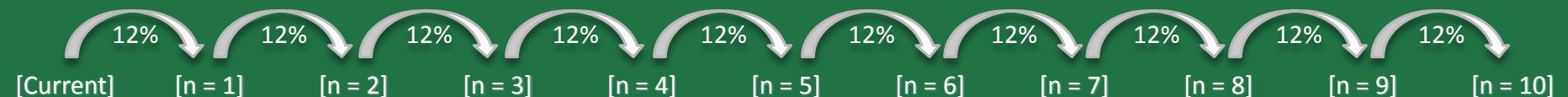
❖ Example – Texas Roadhouse Inc. (TXRH):

- Free Cash Flow: \$45 Million
- Long-term Growth Rate: 12%
- Shares Outstanding: 70.14 Million Shares
- Discount Rate: 4.87%
- Perpetuity Growth Rate: 2.13%
- Share Price: \$36.45

Projected FCF = Free Cash Flow x (1 + LT Growth Rate)ⁿ

×

$$\text{Discount Factor} = \frac{1}{(1 + \text{Discount Rate})^n}$$



	Y-0	Y-1	Y-2	Y-3	Y-4	Y-5	Y-6	Y-7	Y-8	Y-9	Y-10
Projected Free Cash Flow	45.00	50.40	56.45	63.22	70.81	79.31	88.82	99.48	111.42	124.79	139.76
Discount Factor		0.9535	0.9093	0.8670	0.8267	0.7883	0.7517	0.7168	0.6835	0.6518	0.6215
Discounted Free Cash Flow		48.06	51.33	54.81	58.54	62.52	66.77	71.31	76.16	81.33	86.86

→ PV of 10-Year Discounted FCF = **\$658 Million**

Sum all Discounted FCF

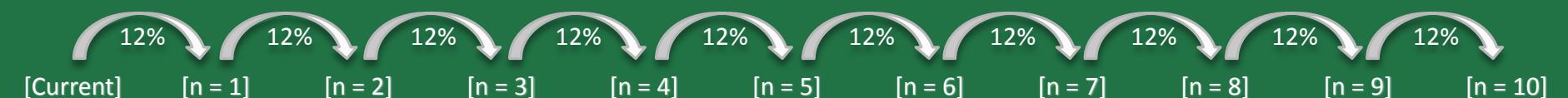
[n: number of year]

❖ Example – Texas Roadhouse Inc. (TXRH):

- Free Cash Flow: \$45 Million
- Long-term Growth Rate: 12%
- Shares Outstanding: 70.14 Million Shares
- Discount Rate: 4.87%
- Perpetuity Growth Rate: 2.13%
- Share Price: \$36.45

$$\text{Perpetuity Value} = \frac{\text{Final year's Projected FCF} \times (1 + \text{Perpetuity Growth Rate})}{\text{Discount Rate} - \text{Perpetuity Growth Rate}}$$

Use the given formula to calculate the Terminal Value



	Y-0	Y-1	Y-2	Y-3	Y-4	Y-5	Y-6	Y-7	Y-8	Y-9	Y-10
Projected Free Cash Flow	45.00	50.40	56.45	63.22	70.81	79.31	88.82	99.48	111.42	124.79	139.76
Discount Factor		0.9535	0.9093	0.8670	0.8267	0.7883	0.7517	0.7168	0.6835	0.6518	0.6215
Discounted Free Cash Flow		48.06	51.33	54.81	58.54	62.52	66.77	71.31	76.16	81.33	86.86

[n: number of year]

→ PV of 10-Year Discounted FCF = \$658 Million

→ Perpetuity Value = $\frac{139.76 \times (1 + 0.0213)}{0.0487 - 0.0213}$ = \$5,209 Million
(Terminal Value)

❖ Example – Texas Roadhouse Inc. (TXRH):

- Free Cash Flow: \$45 Million
- Long-term Growth Rate: 12%
- Shares Outstanding: 70.14 Million Shares
- Discount Rate: 4.87%
- Perpetuity Growth Rate: 2.13%
- Share Price: \$36.45

$$\text{Perpetuity Value} = \frac{\text{Final year's Projected FCF} \times (1 + \text{Perpetuity Growth Rate})}{\text{Discount Rate} - \text{Perpetuity Growth Rate}}$$

	[Current]	[n = 1]	[n = 2]	[n = 3]	[n = 4]	[n = 5]	[n = 6]	[n = 7]	[n = 8]	[n = 9]	[n = 10]
	Y-0	Y-1	Y-2	Y-3	Y-4	Y-5	Y-6	Y-7	Y-8	Y-9	Y-10
Projected Free Cash Flow	45.00	50.40	56.45	63.22	70.81	79.31	88.82	99.48	111.42	124.79	139.76
Discount Factor		0.9535	0.9093	0.8670	0.8267	0.7883	0.7517	0.7168	0.6835	0.6518	0.6215
Discounted Free Cash Flow		48.06	51.33	54.81	58.54	62.52	66.77	71.31	76.16	81.33	86.86

→ PV of 10-Year Discounted FCF = \$658 Million

[n: number of year]

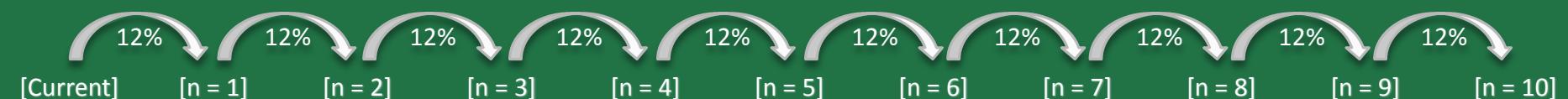
→ Perpetuity Value = $\frac{139.76 \times (1 + 0.0213)}{0.0487 - 0.0213}$ = \$5,209 Million **x Discount Factor (Year 10)**
(Terminal Value)

❖ Example – Texas Roadhouse Inc. (TXRH):

- Free Cash Flow: \$45 Million
- Long-term Growth Rate: 12%
- Shares Outstanding: 70.14 Million Shares
- Discount Rate: 4.87%
- Perpetuity Growth Rate: 2.13%
- Share Price: \$36.45

$$\text{Perpetuity Value} = \frac{\text{Final year's Projected FCF} \times (1 + \text{Perpetuity Growth Rate})}{\text{Discount Rate} - \text{Perpetuity Growth Rate}}$$

$$\text{Intrinsic Value} = \frac{\text{Present Value} + \text{Terminal Value} + \text{Cash} - \text{Debt}}{\text{Total Number of Shares Outstanding}}$$



	Y-0	Y-1	Y-2	Y-3	Y-4	Y-5	Y-6	Y-7	Y-8	Y-9	Y-10
Projected Free Cash Flow	45.00	50.40	56.45	63.22	70.81	79.31	88.82	99.48	111.42	124.79	139.76
Discount Factor		0.9535	0.9093	0.8670	0.8267	0.7883	0.7517	0.7168	0.6835	0.6518	0.6215
Discounted Free Cash Flow		48.06	51.33	54.81	58.54	62.52	66.77	71.31	76.16	81.33	86.86

[n: number of year]

→ PV of 10-Year Discounted FCF = \$658 Million

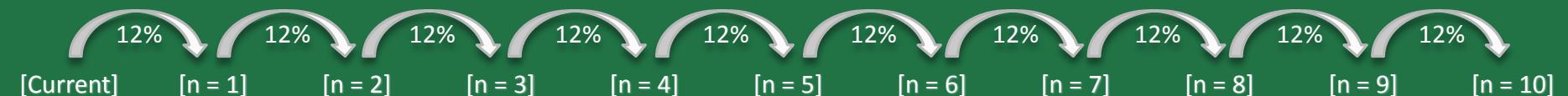
→ Terminal Value = \$5,209 x 0.6215 = \$3,237 Million

❖ Example – Texas Roadhouse Inc. (TXRH):

- Free Cash Flow: \$45 Million
- Long-term Growth Rate: 12%
- Shares Outstanding: 70.14 Million Shares
- Discount Rate: 4.87%
- Perpetuity Growth Rate: 2.13%
- Share Price: \$36.45

$$\text{Perpetuity Value} = \frac{\text{Final year's Projected FCF} \times (1 + \text{Perpetuity Growth Rate})}{\text{Discount Rate} - \text{Perpetuity Growth Rate}}$$

$$\text{Intrinsic Value} = \frac{\text{Present Value} + \text{Terminal Value} + \text{Cash} - \text{Debt}}{\text{Total Number of Shares Outstanding}}$$



	Y-0	Y-1	Y-2	Y-3	Y-4	Y-5	Y-6	Y-7	Y-8	Y-9	Y-10
Projected Free Cash Flow	45.00	50.40	56.45	63.22	70.81	79.31	88.82	99.48	111.42	124.79	139.76
Discount Factor		0.9535	0.9093	0.8670	0.8267	0.7883	0.7517	0.7168	0.6835	0.6518	0.6215
Discounted Free Cash Flow		48.06	51.33	54.81	58.54	62.52	66.77	71.31	76.16	81.33	86.86

→ PV of 10-Year Discounted FCF = \$658 Million

→ Terminal Value = $\$5,209 \times 0.6215 = \$3,237$ Million

[n: number of year]

$$\text{Intrinsic Value} = \frac{\$658 + \$3,237 + \$73 - \$334}{70.14}$$

$$= \$51.81 > \$36.45$$

❖ Example – Texas Roadhouse Inc. (TXRH):

- Free Cash Flow: \$45 Million
- Long-term Growth Rate: 12%
- Shares Outstanding: 70.14 Million Shares
- Discount Rate: 4.87%
- Perpetuity Growth Rate: 2.13%
- Share Price: \$36.45

$$\text{Perpetuity Value} = \frac{\text{Final year's Projected FCF} \times (1 + \text{Perpetuity Growth Rate})}{\text{Discount Rate} - \text{Perpetuity Growth Rate}}$$

$$\text{Intrinsic Value} = \frac{\text{Present Value} + \text{Terminal Value} + \text{Cash} - \text{Debt}}{\text{Total Number of Shares Outstanding}}$$

	[Current]	[n = 1]	[n = 2]	[n = 3]	[n = 4]	[n = 5]	[n = 6]	[n = 7]	[n = 8]	[n = 9]	[n = 10]
	Y-0	Y-1	Y-2	Y-3	Y-4	Y-5	Y-6	Y-7	Y-8	Y-9	Y-10
Projected Free Cash Flow	45.00	50.40	56.45	63.22	70.81	79.31	88.82	99.48	111.42	124.79	139.76
Discount Factor		0.9535	0.9093	0.8670	0.8267	0.7883	0.7517	0.7168	0.6835		
Discounted Free Cash Flow		48.06	51.33	54.81	58.54	62.52	66.77	71.31	76.11		

→ PV of 10-Year Discounted FCF = \$658 Million

→ Terminal Value = $\$5,209 \times 0.6215 = \$3,237$ Million

$$\left. \begin{aligned} \text{Intrinsic Value} &= \frac{\$658 + \$3,237 + \$73 - \$334}{70.14} \\ &= \$51.81 > \$36.45 \end{aligned} \right\} \text{on year}$$

Undervalued!



IMPORTANT NOTICES

- Financial Data are entirely collected from the Investment Research sites. In some cases, the information may be sufficient but not provided in real time.
- The Intrinsic Value is estimated by using the Discounted Cash Flow Model.
- The Market Value of Debt is estimated by using the Book Value of Debt. This may lead to a different result of the Intrinsic Value.
- The Market Risk Premium is just an estimated number.
- To be conservative, you may use the highest Tax Rate and Interest Rate, and reduce the Estimated Long-term Growth Rate by 1-3% when calculating the Intrinsic Value.





MARGIN OF SAFETY CALCULATION

Adjusted Value = Intrinsic Value per Share x MOS Factor

Set your margin of safety of **at least 25%**



We will only buy the stock
when its adjusted value is **greater than** its current market price





MARGIN OF SAFETY CALCULATION (cont.)

- ✓ Current Share Price: \$36.45 a share
 - ✓ Intrinsic Value per Share: \$51.81
 - ✓ Standard Margin of Safety: 25%
- Intrinsic Value > Share Price
→ Undervalued

→ Calculating the Adjusted Value:

- Margin of Safety Factor = $1 - 0.25 = 0.75$
- Adjusted Value = $\$51.81 \times 0.75 = \$38.86 > \$36.45$





AUTOMATE YOUR VALUATION PROCESS

Another way to calculate
Intrinsic Value...





USING THE INTRINSIC VALUE CALCULATOR

- ❖ If you are sick of missing out ***valuable opportunities*** to invest in undervalued stocks
 - ❖ If you don't want to waste a huge amount of time and energy with ***tedious work***
 - ❖ If you want something ***fast, reliable and impressive***
- The Intrinsic Value Calculator is ***designed for YOU!***





INTRINSIC VALUE CALCULATOR

Lastest Version v3.1

Ticker Symbol	TXRH
Current Share Price	\$36.45
Market Cap	\$2,560.0 Million
Number of Shares Outstanding	70.14 Million
Free Cash Flow (FCF)	\$45 Million
Short-term Debt	\$20 Million
Long-term Debt	\$51 Million
Total Liabilities	\$334 Million
Total Cash & Cash Equivalents	\$73 Million
Stock Evaluation	Undervalued
Investment Consideration	Buy

Stock Beta	0.57
Long-term Growth Rate	12.00%
Perpetuity Growth Rate	2.13%
Market Risk Premium	5.61%
Risk Free Rate	1.75%
Interest Rate	3.96%
Income Tax Rate	29.71%
Margin of Safety (MOS)	25.00%
INTRINSIC VALUE	\$51.79
ADJUSTED VALUE (MOS)	\$38.84

Automatic
Enhanced
Stock Valuation



Automatic
Intrinsic Value
Estimation



Reliable Result
Without
Any
Biases

Access
Your Company's
Financial Data
Real Quick

Company's Profile	Click Here
Interactive Stock Chart	Click Here
Key Statistics	Click Here
Analyst Estimates	Click Here
Insider Transactions	Click Here
Market Risk Premium	Click Here

Balance Sheet	Click Here
Income Statement	Click Here
Cash Flow Statement	Click Here
Financial Ratios	Click Here
Risk Free Rate	Click Here
Perpetuity Growth Rate (GDP)	Click Here



USING THE INTRINSIC VALUE CALCULATOR

- ❖ Save tons of time and energy by *automating everything*
 - ❖ Simplify your investment process and focus more on *seeking out opportunities to make money*
 - ❖ Get your valuation result *instantly, without any biases*
 - ❖ This tool will require a very small investment
- Lifetime Access – Only \$19 \$97 (80% OFF)

Get Instant Access - wealthyeducation.com/getvalue



Wealthy Education

EXCLUSIVE OFFER – 80% OFF!

With a Small Investment of \$19...

- Lifetime Access to the Calculator ***without any hidden fees***
- All future updates are ***completely FREE!***
- Support any devices (PCs, mobile, tablets, etc.)
- Automate EVERYTHING – ***fast, reliable*** and ***impressive***
- Unlimited 24/7 Support – ***Customer Satisfaction Guaranteed!***

Get it now for Only \$19 - wealthyeducation.com/getvalue



DISCLAIMER

- ❖ Using our Intrinsic Value Calculator is OPTIONAL. The calculator is not considered an essential part of this course and we do not require you to buy this self-help investment tool.
- ❖ We are always trying to offer the best value for our students. We believe that with this tool the users can simplify their work so they can focus on more important stuff.
- ❖ Whether to use the tool depends totally on your decision.





PEGY RATIO CALCULATION

$$\text{PEGY Ratio} = \frac{\text{P/E Ratio}}{\text{EPS Growth Rate} + \text{Dividend Yield}}$$



Use this formula to calculate the PEGY Ratio



More On TXRH

QUOTES

[Summary](#)[Order Book](#)[Options](#)[Historical Prices](#)

CHARTS

[Interactive](#)

NEWS & INFO

[Headlines](#)[Press Releases](#)[Company Events](#)[Message Boards](#)[Market Pulse](#)

COMPANY

[Profile](#)[Key Statistics](#)[SEC Filings](#)[Competitors](#)[Industry](#)[Components](#)

ANALYST COVERAGE

[Analyst Opinion](#)► [Analyst Estimates](#)

OWNERSHIP

[Major Holders](#)[Insider Transactions](#)[Insider Roster](#)

FINANCIALS

[Income Statement](#)[Balance Sheet](#)[Cash Flow](#)

Texas Roadhouse, Inc. (TXRH) - NasdaqGS ★ Watchlist

36.45 +0.62 (1.73%)

Analyst Estimates

Get Analyst Estimates for:

GO

EPS Trends	Current Qtr. Dec 15	Next Qtr. Mar 16	Current Year Dec 15	Next Year Dec 16
Current Estimate	0.30	0.52	1.35	1.68
7 Days Ago	0.30	0.52	1.35	1.68
30 Days Ago	0.30	0.52	1.35	1.68
60 Days Ago	0.31	0.52	1.35	1.68
90 Days Ago	0.31	0.51	1.35	1.68

EPS Revisions	Current Qtr. Dec 15	Next Qtr. Mar 16	Current Year Dec 15	Next Year Dec 16
Up Last 7 Days	0	0	0	0
Up Last 30 Days	0	0	0	0
Down Last 30 Days	0	0	0	0
Down Last 90 Days	N/A	N/A	N/A	N/A

Growth Est	TXRH	Industry	Sector	S&P 500
Current Qtr.	15.40%	60.60%	39.90%	2.40%
Next Qtr.	13.00%	445.70%	2.60%	12.80%
This Year	9.80%	18.30%	12.60%	3.00%
Next Year	24.40%	24.60%	7.90%	9.10%
Past 5 Years (per annum)	11.48%	N/A	N/A	N/A
Next 5 Years (per annum)	13.98%	17.65%	14.72%	4.88%
Price/Earnings (avg. for comparison categories)	26.54	19.75	9.09	23.02
PEG Ratio (avg. for comparison categories)	1.90	1.62	-0.55	1.37



USING THE PEGY RATIO

$$\text{PEGY Ratio} = \frac{\text{P/E Ratio}}{\text{EPS Growth Rate} + \text{Dividend Yield}}$$

- ❖ **Texas Roadhouse Inc. (TXRH)**
 - P/E Ratio: 26.54
 - EPS Growth Rate (5-year): 13.98%
 - Dividend Yield: 1.60%





USING THE PEGY RATIO

$$\text{PEGY Ratio} = \frac{\text{P/E Ratio}}{\text{EPS Growth Rate} + \text{Dividend Yield}}$$

❖ Texas Roadhouse Inc. (TXRH)

- P/E Ratio: 26.54
- EPS Growth Rate (5-year): 13.98%
- Dividend Yield: 1.60%

$$\text{PEGY Ratio} = \frac{26.54}{13.98 + 1.60} = 1.70 > 1$$



USING THE PEGY RATIO

$$\text{PEGY Ratio} = \frac{\text{P/E Ratio}}{\text{EPS Growth Rate} + \text{Dividend Yield}}$$

❖ Texas Roadhouse Inc. (TXRH)

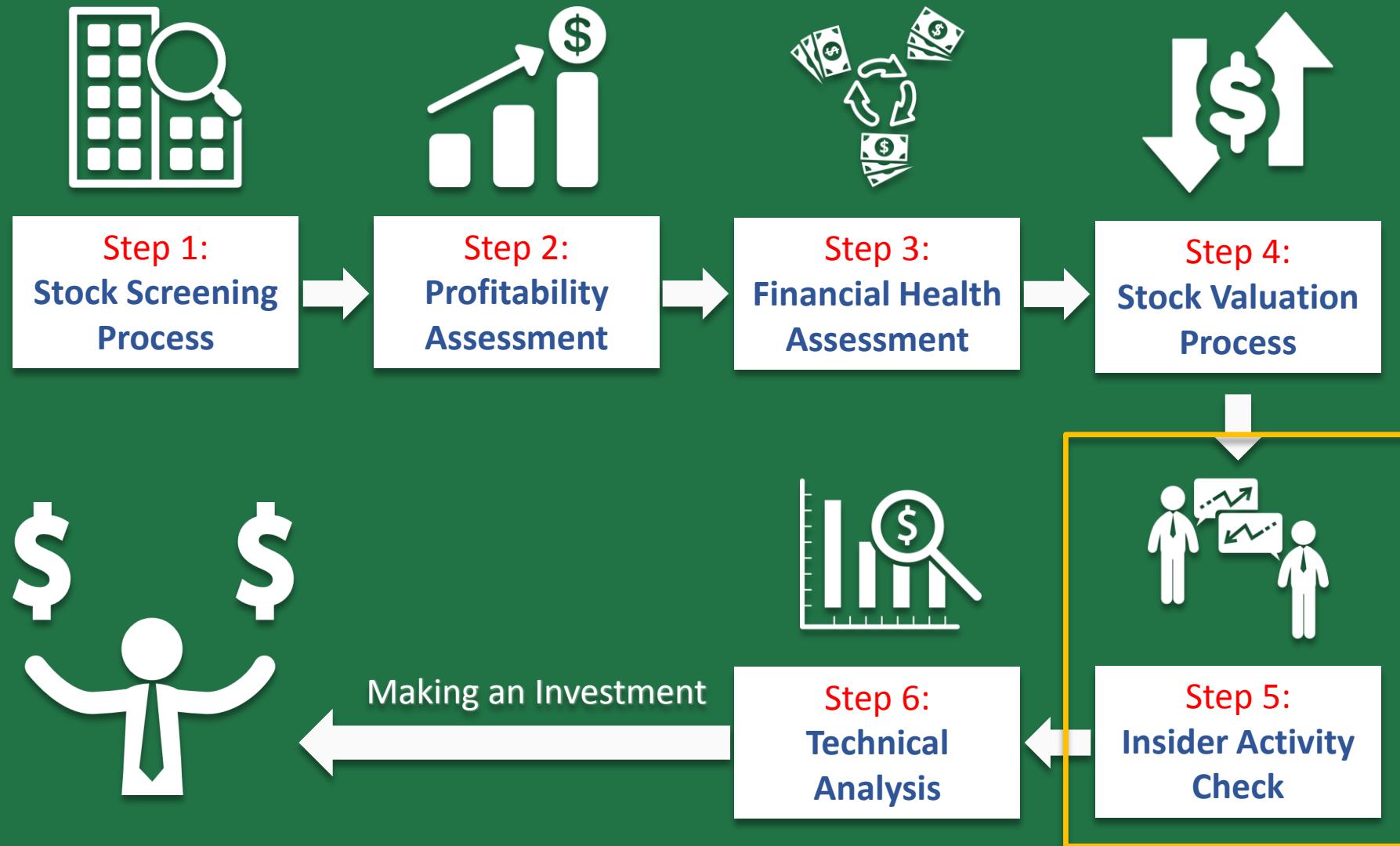
- P/E Ratio: 26.54
- EPS Growth Rate (5-year): 13.98%
- Dividend Yield: 1.60%

$$\text{PEGY Ratio} = \frac{26.54}{13.98 + 1.60} = 1.70 > 1$$

PEGY Ratio > 1.0 indicates that this company's stock price is growing much faster than its earnings and dividend yield



Value Investing Process





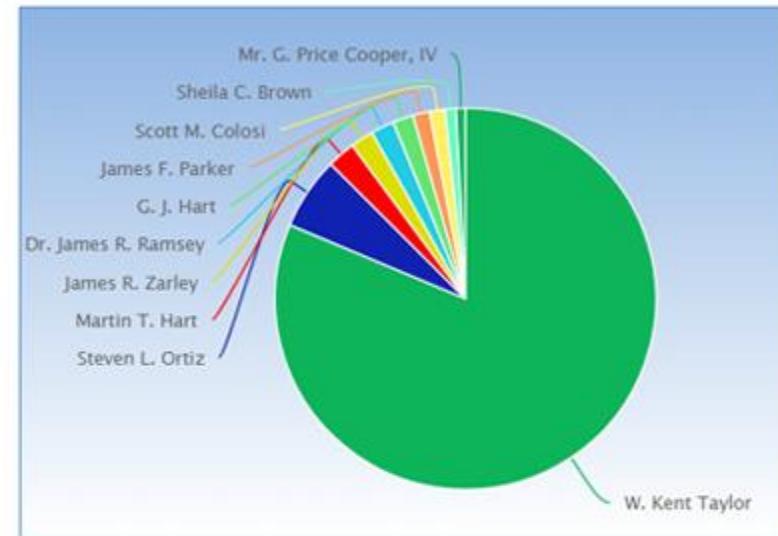
INSIDER ACTIVITY CHECK

- ❖ You can check your company's insider activity on GuruFocus.com
 - Search using your stock's ticker symbol
 - Under "**Insider Activity**" section
 - Find out what the company's insiders are doing with their stock
- ➔ **Make sure the insider transactions are positive**



Top Direct Holders

Holder	Position	Shares	% of Shares Outstanding	Report Date
W. Kent Taylor	Chairman, CEO	4,377,152	6.24%	2016-02-19
Steven L. Ortiz	COO	329,884	0.47%	2015-01-07
Martin T. Hart	Director	129,008	0.18%	2013-12-10
James R. Zarley	Director	106,400	0.15%	2016-01-08
Dr. James R. Ramsey	N/A	105,918	0.15%	2016-01-08
G. J. Hart	CEO & President, Director	94,029	0.13%	2011-01-07
James F. Parker	Director	75,060	0.11%	2016-01-08
		0.1%	2016-02-19	
		less than 0.1%	2011-01-07	
		less than 0.1%	2015-01-08	

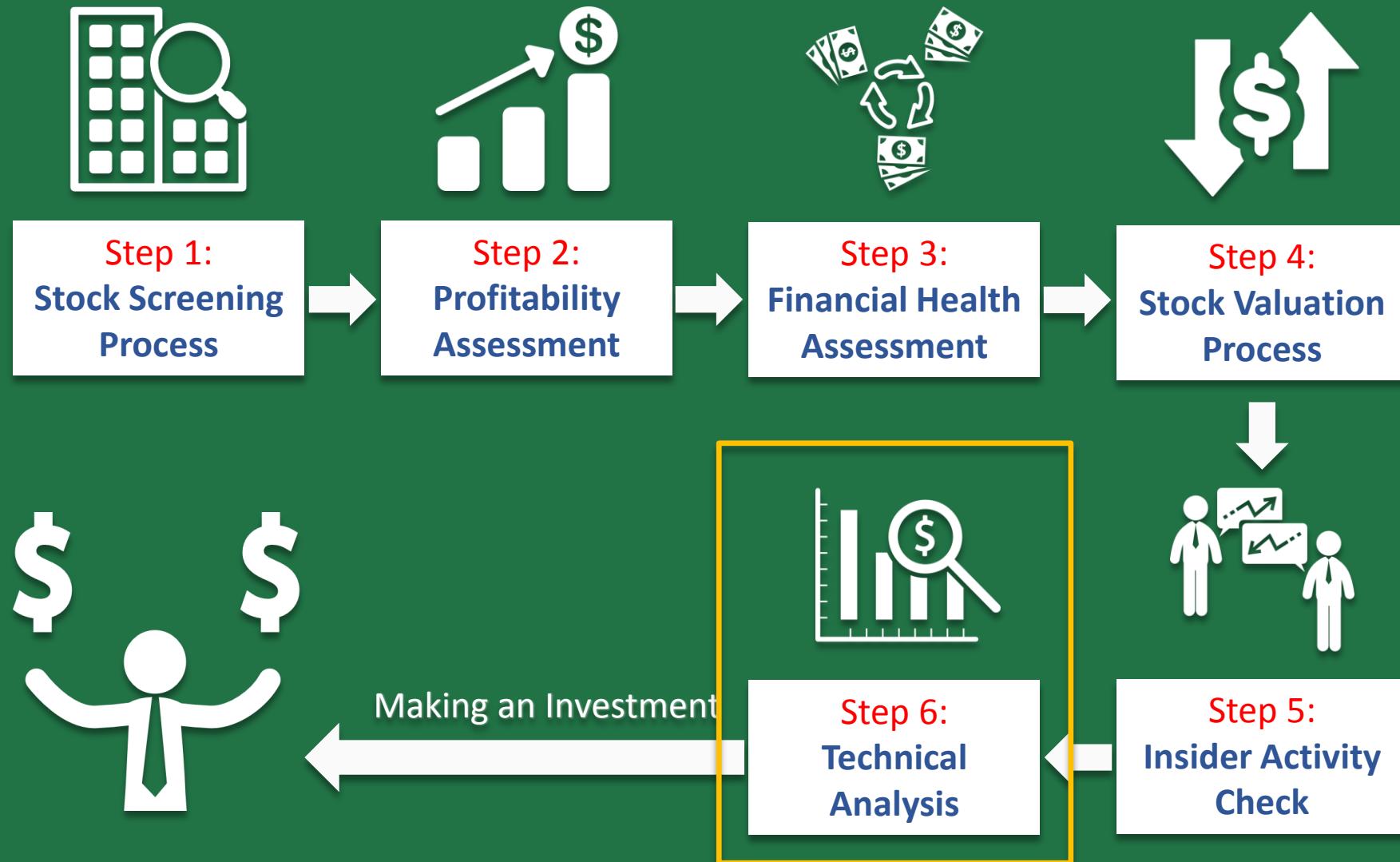


Insiders are **selling** their stocks
 Insider transactions are **negative**

Total Records: 151 Page: First ◀ 1 2 3 4 5 6 ▶ Last

Insider	Position	Date	Buy/Sell	Shares	Shares Owned Following This (Direct & Indirect)	Trade Price (\$)	Cost (\$1000)	Price Change Since Trade (%)	Share Ownership Details
Jacobsen S. Chris	Chief Marketing Officer	2016-02-24	Sell	3,500	14,012	\$41.28	144.5	2.18	14,012 (Direct)
Catlett Celia	General Counsel	2016-02-24	Sell	5,000	11,466	\$41.28	206.4	2.18	11,466 (Direct)
Colosi Scott Matthew	President and CFO (Click for the stocks that their CFOs have bought)	2016-02-24	Sell	10,000	61,429	\$42.33	423.3	-0.35	61,429 (Direct)
MOORE GREGORY N	Director	2016-02-24	Buy	750	70,650	\$41.67	31.3	1.22	8,500 (Direct) 62,150 (Moore Family Trust)
Colosi Scott Matthew	President and CFO (Click for the stocks that their CFOs have bought)	2016-01-12	Sell	12,757	51,355	\$35	446.5	20.51	51,355 (Direct)
Taylor Wayne Kent	Chairman, CEO (Click for the stocks that their CEOs have bought)	2015-11-09	Buy	30,000	5,411,605	\$33.6	1008	25.54	4,311,605 (Direct) 1,100,000 (By Taylor Family Partners, Ltd.)
MOORE GREGORY N	Director	2015-08-05	Buy	510	61,400	\$39.18	20	7.66	61,400 (Moore Family Trust)
ZARLEY JAMES R	Director	2015-05-14	Buy	2,400	97,900	\$34.25	82.2	23.15	97,900 (Direct)
Colosi Scott Matthew	President and CFO	2015-01-13	Sell	29,221	51,355	\$35.04	1023.9	20.38	51,355 (Direct)

Value Investing Process





THE BEST SIMPLE TRADING TECHNIQUE

❖ “Buy High, Sell Higher” Strategy:

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

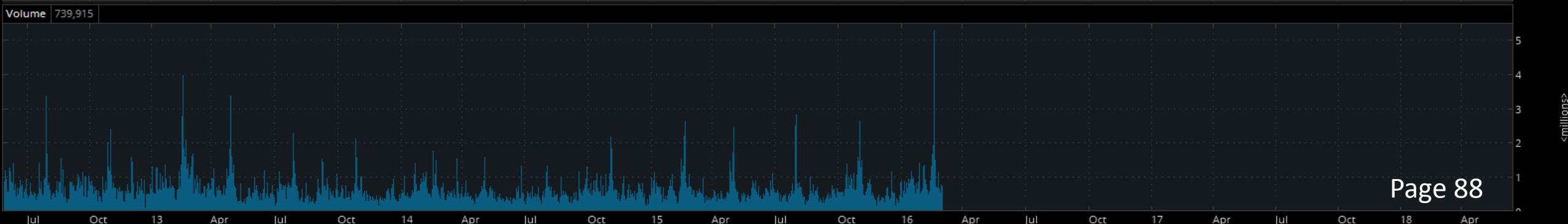
❖ Simple Moving Average Crossover:

Uptrend signal:

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

Downtrend signal:

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





Volume 739,915

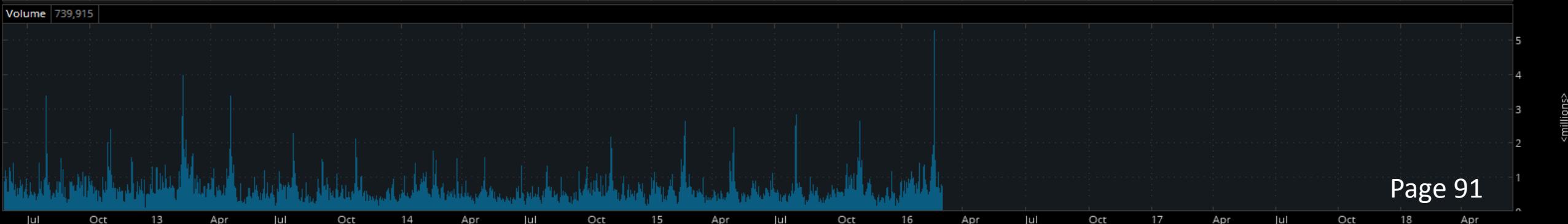


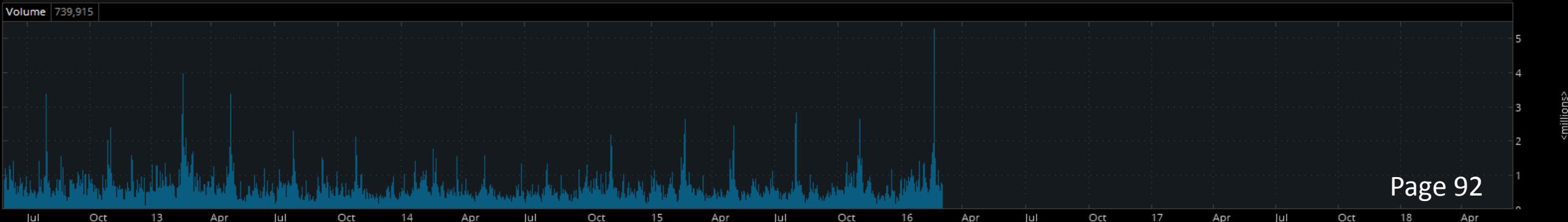
Point C
SMA 60 Crossed Above SMA 180
Both lines sloped upward
Uptrend Signal



SMA 60 – Blue Line
SMA 180 – Yellow Line

Volume 739,915







Value Investing Process





FINAL STEP: MAKE YOUR INVESTMENT DECISION

- ❖ 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
- ➔ Learn more: wealthyeducation.com/case-study-pizza-stock





VALUE INVESTING CHECKLIST

Ticker Symbol

TXRH

Valuation Date

02/25/16

Points

Criterion #1 - Market Cap

Market Capitalization

Mid Cap or Higher

4

Criterion #2 - Market Sector

Market Sector

Meet this criterion

4

Criterion #3 - Net Income

Net Income

Grew consistently over the past 5 years

5

Last year's Net Income

Grew by less than 10%

3

Criterion #4 - Sales Revenue

Sales Revenue

Grew consistently over the past 5 years

5

Criterion #5 - Operating Cash Flow

Operating Cash Flow

Grew consistently

5

Criterion #6 - Earnings per Share

Earnings per Share

Grew positively

5

Criterion #7 - Return on Equity

Average ROE (3-5 years)

From 12% to 25%

5

Last year's ROE

From 12% to 25%

5

Criterion #8 - Debt Settlement Capacity

Free Cash Flow vs Long-term Debt

3 x Free Cash Flow > Long-term Debt

8

Current Ratio

Under 1.0

-5

Criterion #9 - Future Prospects

Is this business easy to understand?

Yes

2

Do the customers love this business and its products or services?

Yes

2

Will this business products or services continuously be used in the future?

Yes

2

Does this business have a sustainable competitive advantage?

Yes

2

Is this business operated by an experienced management team?

Yes

2

Does this business have strategic plans for its future expansion?

Yes

2

Criterion #10 - PEGY Ratio

PEGY Ratio

Over 1.5

-5

Criterion #11 - Stock Valuation

Intrinsic Value

Undervalued

15

Margin of Safety (minimum 25%)

Meet your Margin of Safety level

10

Criterion #12 - Insider Action

Insider Transactions (3-month period)

Insiders are selling (Negative)

-5

Total Points

71

Investment Rank

Rank B

Buying Opportunity

Yes



FINAL STEP: MAKE YOUR INVESTMENT DECISION

- ❖ 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
- ➔ Learn more: wealthyeducation.com/case-study-pizza-stock





Wealthy Education

YOU CAN BECOME A SUCCESSFUL INVESTOR!

Today's Practice is Tomorrow's Victory

Good luck!





Wealthy Education

LET'S KEEP IN TOUCH!

To Get More Useful Information

Visit our website:

www.WealthyEducation.com



THANK YOU SO MUCH!