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Talking Numbers: An Inside Look at Smartsheet Inc. (NYSE:SMAR), Generac Holdings Inc. (NYSE:GNRC)

By [Lakeland Staff Writer](#) • on February 5, 2019

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In reviewing some key ratios and quant data for Smartsheet Inc. (NYSE:SMAR), we note that the mother of all ratios (Return on Equity) stands at -0.296677 for the firm. ROE reveals what percentage of each investment dollar is returned as a profit.

Used in conjunction with a variety of other ratios, this indicator is a very important tool for investors in determining the effectiveness of a company to generate returns for investors.

Investors are constantly looking to find winning stocks that have been largely overlooked. With markets still riding high, this may not be the easiest thing in the world right now. Finding those perfect stocks before they become household names may take a lot of research and homework. Many investors will apply various strategies for picking stocks. If there was one that worked for everybody, it would make things super easy. Of course, this is not the case. Obviously, there are no guarantees in the stock market. Some investors may only focus on the fundamentals of a company and completely ignore the technicals. Others may

choose to only watch technicals and never take a look at the underlying company information. Combining both areas of research may help give a better feel of what is going on with the stock in the long term and the short term. Individual investors who manage their own portfolios may need to put in a lot more time than those who don't. Successful investors often have an uncanny way of filtering out the noise and keeping their focus on the right information.

Further, we can look at some other ratios and financial indicators in order to get an idea of the company's valuation. Smartsheet Inc. (NYSE:SMAR) presently has a current ratio of 2.09. The current ratio, also known as the working capital ratio, is a liquidity ratio that displays the proportion of current assets of a business relative to the current liabilities. The ratio is simply calculated by dividing current liabilities by current assets. The ratio may be used to provide an idea of the ability of a certain company to pay back its liabilities with assets. Typically, the higher the current ratio the better, as the company may be more capable of paying back its obligations.

The FCF Yield 5yr Average is calculated by taking the five year average free cash flow of a company, and dividing it by the current enterprise value. Enterprise Value is calculated by taking the market capitalization plus debt, minority interest and preferred shares, minus total cash and cash equivalents. The average FCF of a company is determined by looking at the cash generated by operations of the company. The Free Cash Flow Yield 5 Year Average of Smartsheet Inc. (NYSE:SMAR) is -0.001651.

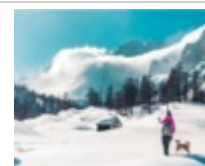
One of the most popular ratios is the "Return on Assets" (aka ROA). This score indicates how profitable a company is relative to its total assets. The Return on Assets for Smartsheet Inc. (NYSE:SMAR) is -0.452621. This number is calculated by dividing net income after tax by the company's total assets. A company that manages their assets well will have a higher return, while a company that manages their assets poorly will have a lower return.

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The M-Score, conceived by accounting professor Messod Beneish, is a model for detecting whether a company has manipulated their earnings numbers or not. Smartsheet Inc. (NYSE:SMAR) has an M-Score of -2.203790. The M-Score is based on 8 different variables: Days' sales in receivables index, Gross Margin Index, Asset Quality Index, Sales Growth Index, Depreciation Index, Sales, General and Administrative expenses Index, Leverage Index and Total Accruals to Total Assets. A score higher than -1.78 is an indicator that the company might be manipulating their numbers.

The Value Composite One (VC1) is a method that investors use to determine a company's value. The VC1 of Smartsheet Inc. (NYSE:SMAR) is 83. A company with a value of 0 is thought to be an undervalued company, while a company with a value of 100 is considered an overvalued company. The VC1 is calculated using the price to book value, price to sales, EBITDA to EV, price to cash flow, and price to earnings. Similarly, the Value Composite Two (VC2) is calculated with the same ratios, but adds the Shareholder Yield. The Value Composite Two of Smartsheet Inc. (NYSE:SMAR) is 80.

The MF Rank (aka the Magic Formula) is a formula that pinpoints a valuable company trading at a good price. The formula is calculated by looking at companies that have a high earnings yield as well as a high return on invested capital. The MF Rank of Smartsheet Inc. (NYSE:SMAR) is 13491. A company with a low rank is considered a good company to invest in. The Magic Formula was introduced in a book written by Joel Greenblatt, entitled, "The Little Book that Beats the Market".

The Earnings to Price yield of Smartsheet Inc. NYSE:SMAR is -0.015534. This is calculated by taking the earnings per share and dividing it by the last closing share price. This is one of the most popular methods investors use to evaluate a company's financial performance. Earnings Yield is calculated by taking the operating income or earnings before interest and taxes (EBIT) and dividing it by the Enterprise Value of the company. The Earnings Yield for Smartsheet Inc. NYSE:SMAR is -0.015581. Earnings Yield helps investors measure the return on investment

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for a given company. Similarly, the Earnings Yield Five Year Average is the five year average operating income or EBIT divided by the current enterprise value. The Earnings Yield Five Year average for Smartsheet Inc. (NYSE:SMAR) is -0.004793.

Price Index

The Price Index is a ratio that indicates the return of a share price over a past period. The price index of Smartsheet Inc. (NYSE:SMAR) for last month was 1.27625. This is calculated by taking the current share price and dividing by the share price one month ago. If the ratio is greater than 1, then that means there has been an increase in price over the month. If the ratio is less than 1, then we can determine that there has been a decrease in price. Similarly, investors look up the share price over 12 month periods. The Price Index 12m for Smartsheet Inc. (NYSE:SMAR) is 2.10667.

Price Range 52 Weeks

Some of the best financial predictions are formed by using a variety of financial tools. The Price Range 52 Weeks is one of the tools that investors use to determine the lowest and highest price at which a stock has traded in the previous 52 weeks. The Price Range of Smartsheet Inc. (NYSE:SMAR) over the past 52 weeks is 0.981000. The 52-week range can be found in the stock's quote summary.

Investors are frequently on the search for the secret to creating that winning portfolio. Many individual investors would agree that information is highly important when picking stocks. Possessing the correct information about a public company is of the utmost importance. Knowing how to interpret the information is another skill investors may need to master before becoming fully immersed in the stock market. Taking the time to properly examine a company before purchasing shares may be the difference between healthy profits and disappointing losses. If a company looks good after the research is complete, patience may still be desirable. Often times, a good stock will continue to

be good in the future. Dealing with market volatility is normal, but exploring all aspects of a company may be a good way to combat day to day volatility.

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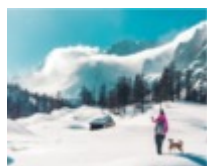
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The Trading Letter

Today we are spotlighting shares of Generac Holdings Inc. (NYSE:GNRC) and looking at how the firm stacks up in terms of valuation by the numbers. One of the most important ratios to look at when weighing an investment decision is the Return on Equity of the company. At the time of writing Generac Holdings Inc. has an ROE

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of 0.326980. With ROE, Investors can see if they're getting a good return on their money, while a company can evaluate how efficiently they're utilizing shareholder's equity.

As we move into the second half of the year, investors will be keeping a close watch on their portfolios. There are plenty of financial gurus who are predicting the end of the bull market run,

and there are plenty on the other side who believe that stocks are bound for greater heights. Whichever way the markets go, investors will need to watch which companies are hitting their marks on the earnings front. Investors may closely follow sell-side analyst estimates. It is important to remember that analyst projections are just that, projections. Following analyst expectations can provide a good glimpse into company actions, but strictly following what the analysts are saying may lead to difficulty in the future. Doing careful and extensive individual stock research may provide the investor with a more robust scope with which to successfully trade the market.

Drilling down into some additional metrics, we note that Generac Holdings Inc. (NYSE:GNRC) has a Price to Book ratio of 4.692523. This ratio is calculated by dividing the current share price by the book value per share. Investors may use Price to Book to display how the market portrays the value of a stock. Checking in on some other ratios, the company has a Price to Cash Flow ratio of 11.721580, and a current Price to Earnings ratio of 14.351124. The P/E ratio is one of the most common ratios used for figuring out whether a company is overvalued or undervalued.

After a recent scan, we can see that Generac Holdings Inc. (NYSE:GNRC) has a Shareholder Yield of 0.002526 and a Shareholder Yield (Mebane Faber) of 0.02967. The first value is calculated by adding the dividend yield to the percentage of repurchased shares. The second value adds in the net debt repaid yield to the calculation. Shareholder yield has the ability to show how much money the firm is giving back to shareholders via a few different avenues. Companies may issue new shares and buy back their own shares. This may occur at the same time. Investors may also use shareholder yield to gauge a baseline rate of return.

The Return on Invested Capital (aka ROIC) for Generac Holdings Inc. (NYSE:GNRC) is 0.457479. The Return on Invested Capital is a ratio that determines whether a company is profitable or not. It tells investors how well a company is turning their capital into profits. The ROIC is calculated by dividing the net operating

profit (or EBIT) by the employed capital. The employed capital is calculated by subtracting current liabilities from total assets.

Similarly, the Return on Invested Capital Quality ratio is a tool in evaluating the quality of a company's ROIC over the course of five years. The ROIC Quality of Generac Holdings Inc.

(NYSE:GNRC) is 6.754087. This is calculated by dividing the five year average ROIC by the Standard Deviation of the 5 year ROIC.

The ROIC 5 year average is calculated using the five year average EBIT, five year average (net working capital and net fixed assets). The ROIC 5 year average of Generac Holdings Inc. (NYSE:GNRC) is 0.509063.

The Earnings to Price yield of Generac Holdings Inc. NYSE:GNRC is 0.069681. This is calculated by taking the earnings per share and dividing it by the last closing share price. This is one of the most popular methods investors use to evaluate a company's financial performance. Earnings Yield is calculated by taking the operating income or earnings before interest and taxes (EBIT) and dividing it by the Enterprise Value of the company. The Earnings Yield for Generac Holdings Inc. NYSE:GNRC is 0.080802. Earnings Yield helps investors measure the return on investment for a given company. Similarly, the Earnings Yield Five Year Average is the five year average operating income or EBIT divided by the current enterprise value. The Earnings Yield Five Year average for Generac Holdings Inc. (NYSE:GNRC) is 0.061851.

Generac Holdings Inc. (NYSE:GNRC) currently has a Montier C-score of 3.00000. This indicator was developed by James Montier in an attempt to identify firms that were cooking the books in order to appear better on paper. The score ranges from zero to six where a 0 would indicate no evidence of book cooking, and a 6 would indicate a high likelihood. A C-score of -1 would indicate that there is not enough information available to calculate the score. Montier used six inputs in the calculation. These inputs included a growing difference between net income and cash flow from operations, increasing receivable days, growing day's sales of inventory, increasing other current assets, decrease in depreciation relative to gross property plant and equipment, and high total asset growth.

At the time of writing, Generac Holdings Inc. (NYSE:GNRC) has a Piotroski F-Score of 9. The F-Score may help discover companies with strengthening balance sheets. The score may also be used to spot the weak performers. Joseph Piotroski developed the F-Score which employs nine different variables based on the company financial statement. A single point is assigned to each test that a stock passes. Typically, a stock scoring an 8 or 9 would be seen as strong. On the other end, a stock with a score from 0-2 would be viewed as weak.

Shifting gears, we can see that Generac Holdings Inc. (NYSE:GNRC) has a Q.i. Value of 24.00000. The Q.i. Value ranks companies using four ratios. These ratios consist of EBITDA Yield, FCF Yield, Liquidity, and Earnings Yield. The purpose of the Q.i. Value is to help identify companies that are the most undervalued. Typically, the lower the value, the more undervalued the company tends to be.

Volatility

Watching some historical volatility numbers on shares of Generac Holdings Inc. (NYSE:GNRC), we can see that the 12 month volatility is presently 29.298000. The 6 month volatility is 31.896300, and the 3 month is spotted at 34.108300. Following volatility data can help measure how much the stock price has fluctuated over the specified time period. Although past volatility action may help project future stock volatility, it may also be vastly different when taking into account other factors that may be driving price action during the measured time period.

Investors often have a large selection of stocks to research when looking to add to the portfolio. Investors have the ability to employ many different strategies to help beat the stock market. In the end, the main goal is typically to maximize profits while minimizing risk. Investors commonly strive to diversify the portfolio in order to minimize risk. Most serious investors are well aware of the risks when entering the equity market. Investors may choose to own stocks across multiple industries to keep from having all the eggs in one basket. Others may choose companies of different size, and even delve into foreign

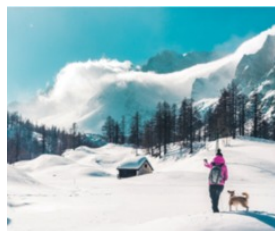
markets. Finding those hidden gems in the stock market may not be the easiest of chores. Investors may have to spend many hours doing the research and crunching the numbers.

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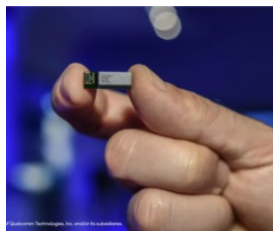
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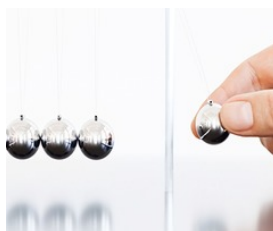
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