**Better Investing Guidelines for Stock Buying Decisions  
MicNova Meeting, June 12, 2019**   
***(Adapted from BI Website “Worksheets” and BINC’s Nicholson’s Triple Play Presentation)***

**Company/ Stock Name:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

**Step I. Perform a Quality Check on Stock:**

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| **Tool** |  |  |  |
| 1. **SSG Graph & Data** | **Metric Question** | **Ans: Y/N? Percent? Other?** | **Notes:** |
| **Page 1. Historical Sales and EPS Growth** (see 1st page graph lines and data in **Table 2** | 1. **Increasing sales and EPS (UP)?** |  |  |
|  | 1. **Are Sales(S) & EPS growing consistently? (Straight lines?)** |  |  |
|  | 1. **Are Sales(S) & EPS lines parallel? (S > EPS line could be red flag)** |  |  |
|  | 1. **Sufficient growth for Co size?**  * **Small (<$1 B sales)=12%+** * **Medium ($1B-$10B sales)=7-12%** * **Large (>$10B sales) =5-7%** |  |  |
| **Page 2 Table 2:**  **% Pre-tax profit on Sales (Profit Margin)** | 1. **Are profit margins dropping, steady or increasing?** 2. **Profit margins should be as good as or better than industry** |  |  |
| **Table 2, cont. Debt** | 1. **Is debt level less than 33% of cap?** 2. **How does debt compare to industry?** |  |  |
| **2.Analysts’ reports on Financial strength:**  **VL, MS, CFRA** (could also use Yahoo, Zack’s, and other Analyst Consensus Estimates (ACEs) | **a. See Value Line ratings:** How does VL grade/rate its financial strength?  **b. See Value Line Capital Structure box.** How much income/cash have to cover current interest on debt? |  | *Capital Structure Interest coverage*:   * Coverage of 7-10x interest is good * Coverage >5x is a warning sign! |
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**Step II. Assess Company/ Stock Value and Growth:**

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| **Tool** |  |  |  |
| 1. **SSG Graph & Data** | **Metric Question** | **Ans: Y/N; Percent; Other** | **Notes:** |
| **Page 2. See Table 3, Price and Earnings History table** | 1. **See Price and Earnings History and current year.** Where is stock price now? (low, high, middle? |  |  |
| **Table 3, cont.** (check for stock valuation using P/Es) | 1. **What is this stock’s Average P/E?** |  | *Average P/E could be stock’s “signature P/E”:* Concept that stock P/Es will generally return to this average. |
|  | 1. **What is Current P/E?** (above or below the average?) |  | *If P/E below the average P/E, could signal an opportunity for P/E expansion (back to the average) bringing stock price back up, also.* |
|  | **L Any outlier P/Es in History?** (may need to remove to get true average) |  |  |
| 1. **Projecting Future Growth, using Analysts reports** | 1. **See range of Analysts’ projected growth** | VL, High –  Low  VL Sales in 5 yrs?  EPS in 5 yrs?  MS Fair Value?  MS outlook?  Other? |  |
| **What do VL , MS and other say about Value?** | 1. See VL Timeliness Box 2. See graph – are price bars below the trend line? 3. See VL far right column: What does VL predict for Sales/ EPS/ PE in 5 yrs? |  |  |
| **What growth would you estimate for this stock?** | 1. **BI rules of thumb:** limit estimates to ~ 15% S&E growth 2. Estimate Future P/Es <30 and close to hist. average. 3. Low price forecast ~ 20% below current price |  |  |
| **Other- Text from analysts:** | **MS – does Company have a “Moat”?** |  |  |
| **Fun: Triple Play ?**   1. Stock price depressed? 2. Increasing profit margins? 3. P/E lower than average? |  |  | **Your recommendation for this stock:** |
|  |  |  |  |