



Judgement Assistance for the Stock Selection Guide

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YANKEE CHAPTER MODEL INVESTMENT CLUB

“Be fearful when others are greedy, and be greedy only when others are fearful.”

- WARREN BUFFETT

Where Do We Need Help on SSGs?

Growth Rates

- Revenues
- Earnings

Future PEs (Price Earnings Ratios)

- Current and Projected PEs
- Trends in PE

Future Prices

- High Price = Est High PE X Est. High EPS
- Low Price = Est Low PE X Est. Low EPS (or other estimate)

Help Available from Many Sources

Growth Rates

- Theory – businesses can only grow so fast
- Trend Lines for Sales & EPS (Front of SSG)
- Value Line, Morningstar, CFRA, Analyst Estimates

Future PEs (Price Earnings Ratios)

- Current and Projected PEs (SSG, Value Line)
- Trends in PE (Stable, Unstable, Up or Down?)
 - PEs tend to decline as a company grows

Future Prices

- Fair Values (CFRA, Morningstar, etc.)
- Value Line (3-5 year price range)

We are going to look at some of them

Growth Rates

- **Theory** – businesses can only grow so fast
- **Trend Lines for Sales & EPS (Front of SSG)**
- **Value Line, Morningstar, CFRA, Analyst Estimates**

Future PEs (Price Earnings Ratios)

- **Current and Projected PEs (SSG, Value Line)**
- ~~Trends in PE (Stable, Unstable, Up or Down?)~~
- ~~PEs tend to decline as a company grows~~

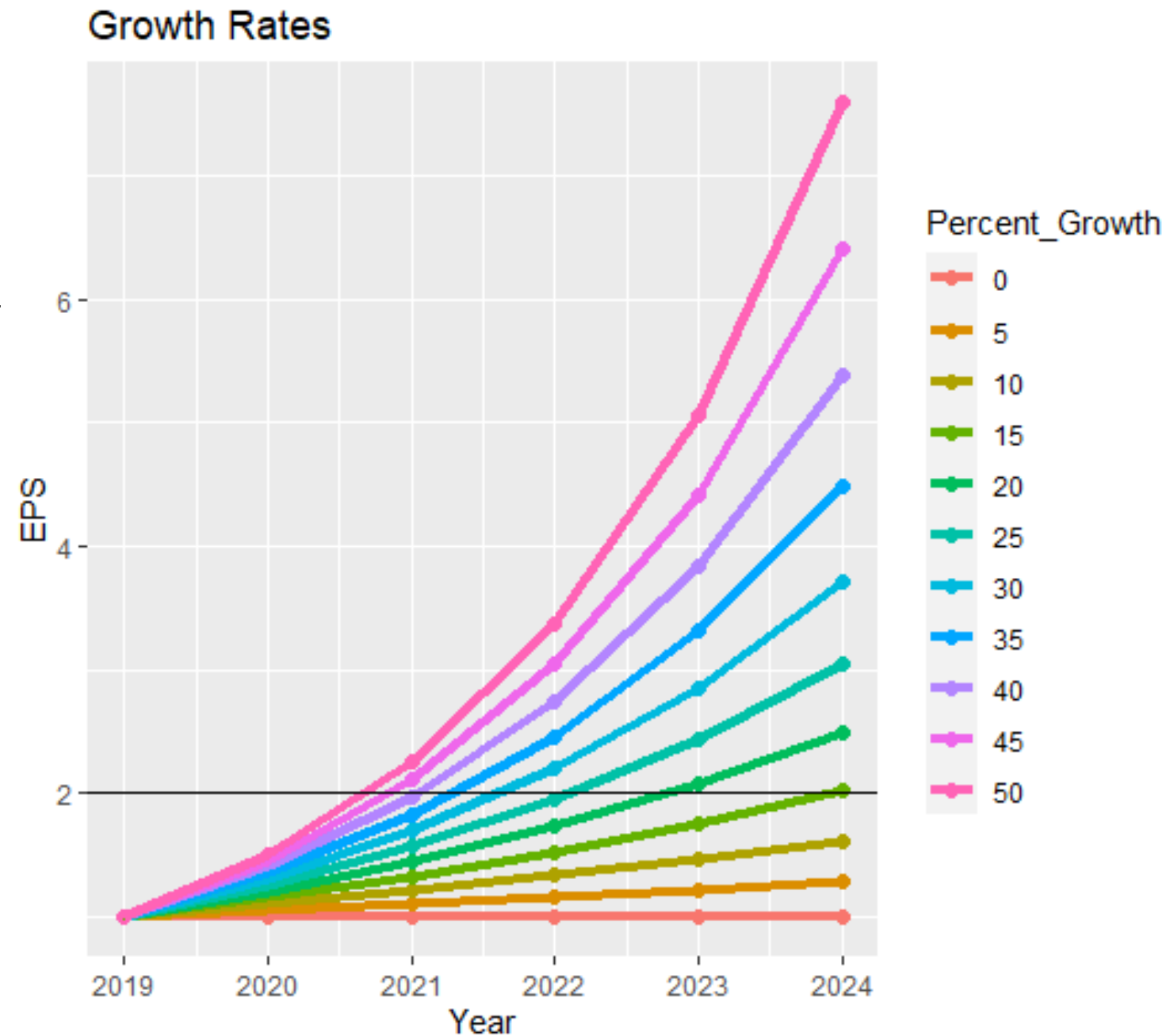
Future Prices

- ~~Fair Values (CFRA, Morningstar, etc.)~~
- **Value Line (3-5 year price range)**

Theory: Exponential Growth

Doubling Times

- 15% - 5 years
- 20% - less than 4 years
- 25% - about 3 years
- 30% - about 2.6 years



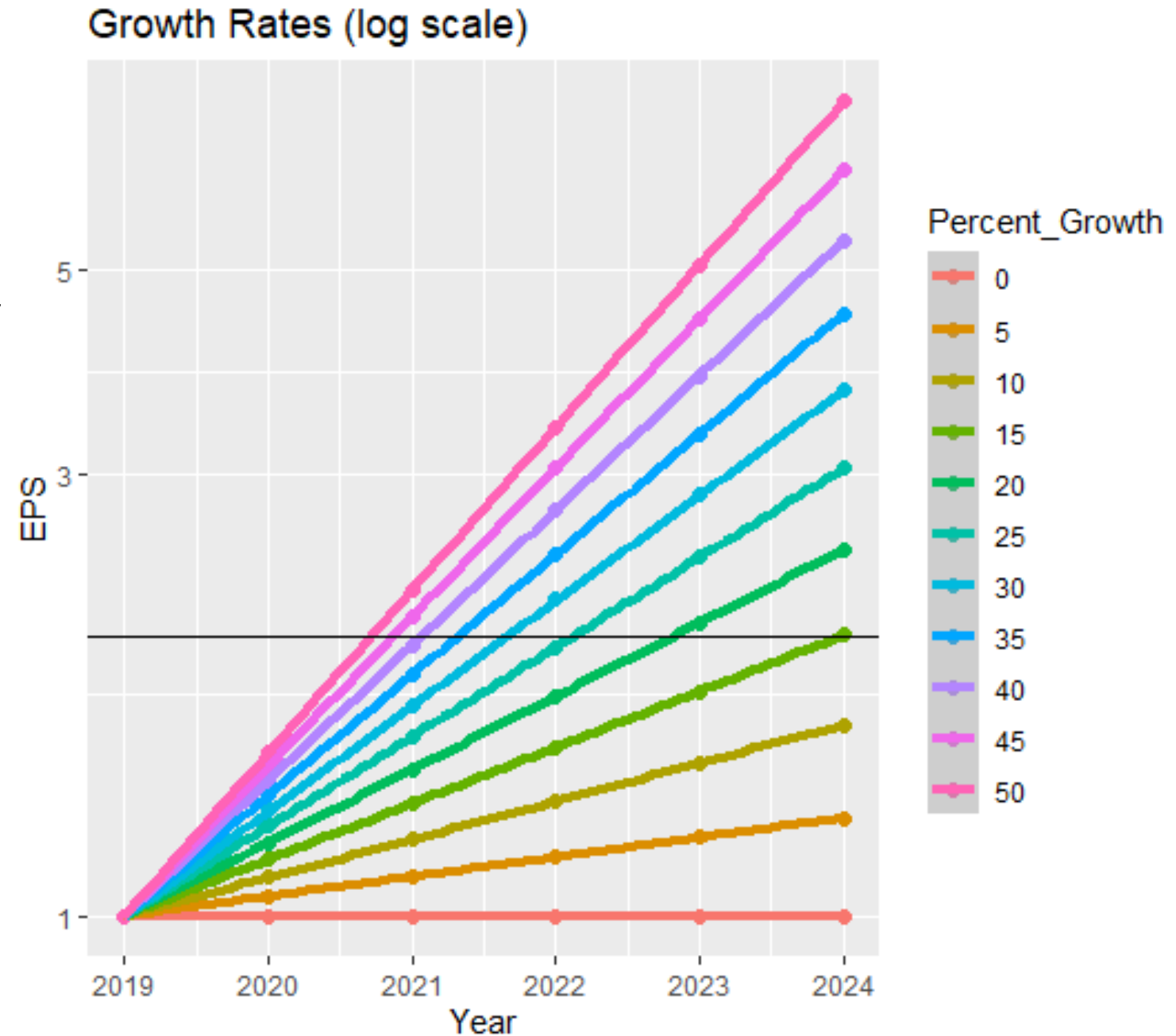
Theory: Exponential Growth

Doubling Times

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- 20% - less than 4 years
- 25% - about 3 years
- 30% - about 2.6 years

Rule of Thumb:

No Growth Rate greater than 25%!



Growth Rates from SSG Trend Lines

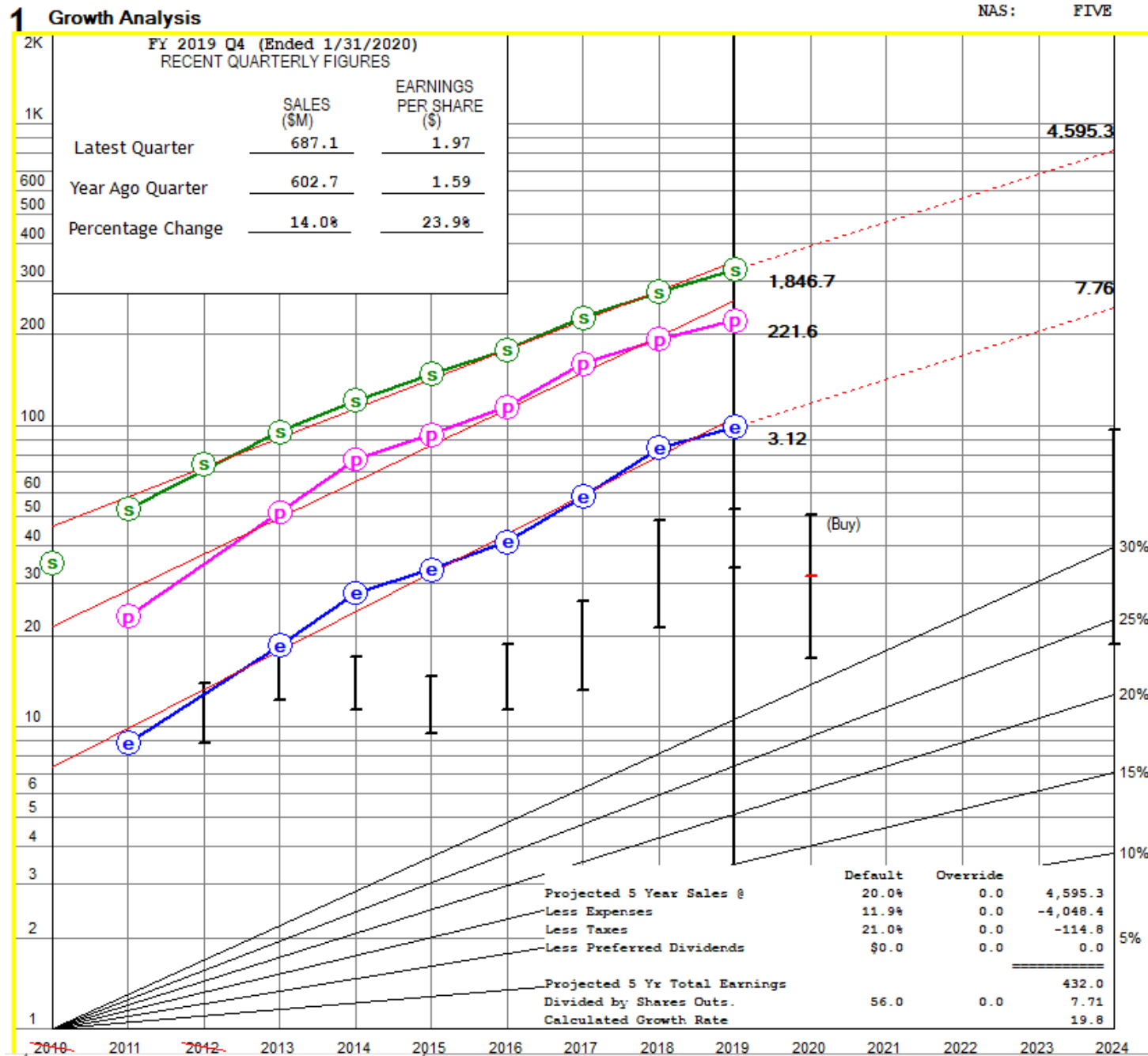
Trend lines (sales & earnings) show how fast a company has been growing.

- Don't expect big improvement in growth!
 - Exceptions
 - Recovery from a disaster
 - Mergers might change growth rate (for good or ill)
- Compare your estimate to the long term trend

Examples

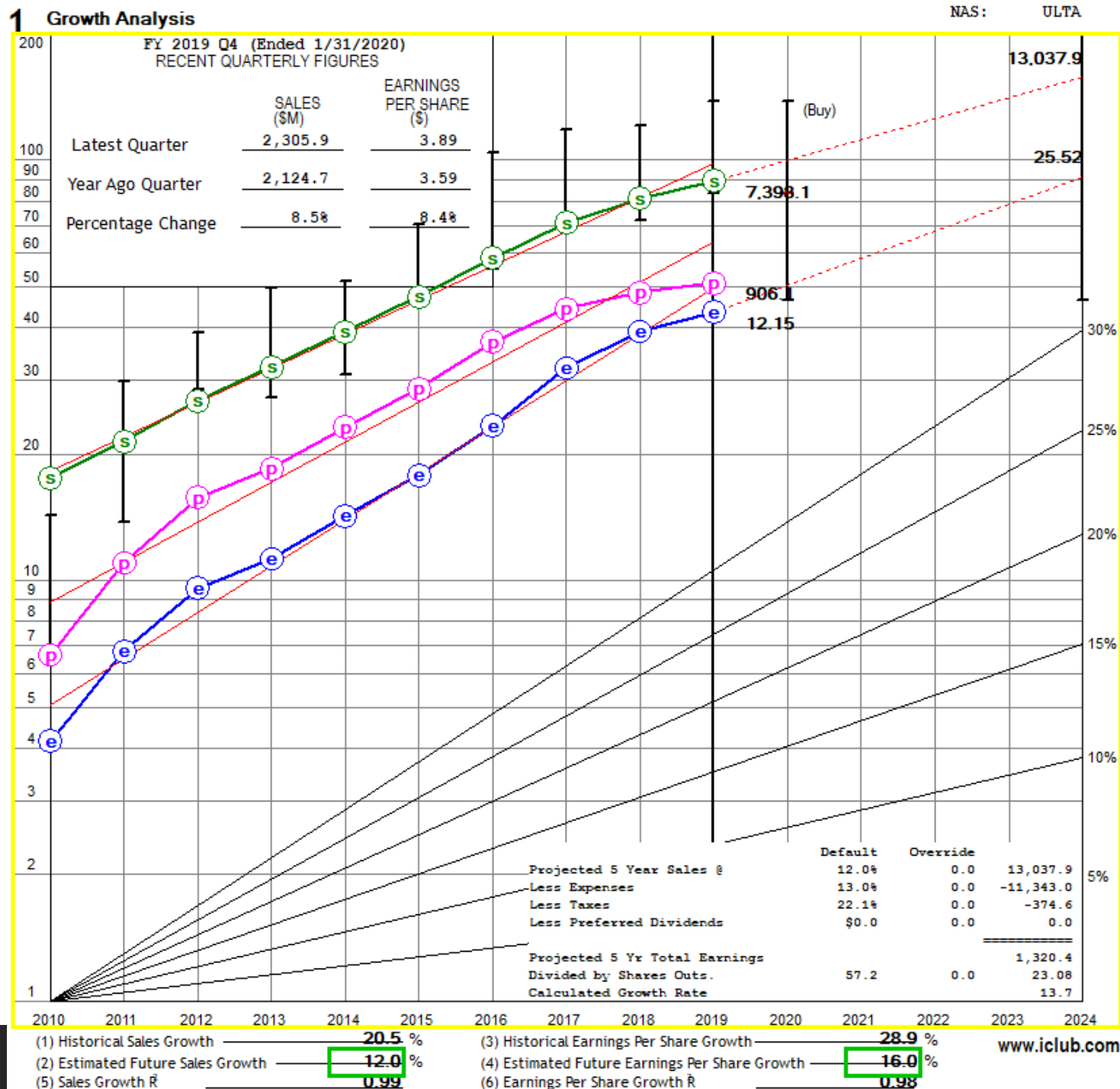
SSG for Five Below

- Sales, EPS & Pre Tax Profit are all
 - UP
 - STRAIGHT &
 - PARALLEL
- Projected growth rate a little lower than trend



SSG for Ulta Beauty

- Sales, EPS & Pre Tax Profit are all sort of
 - UP
 - STRAIGHT &
 - PARALLEL
- BUT all three have slowed since 2017 because of competition (e.g., Sephora?)
- Projected growth rate a little higher than trend
- I am predicting an improvement vs. trend!

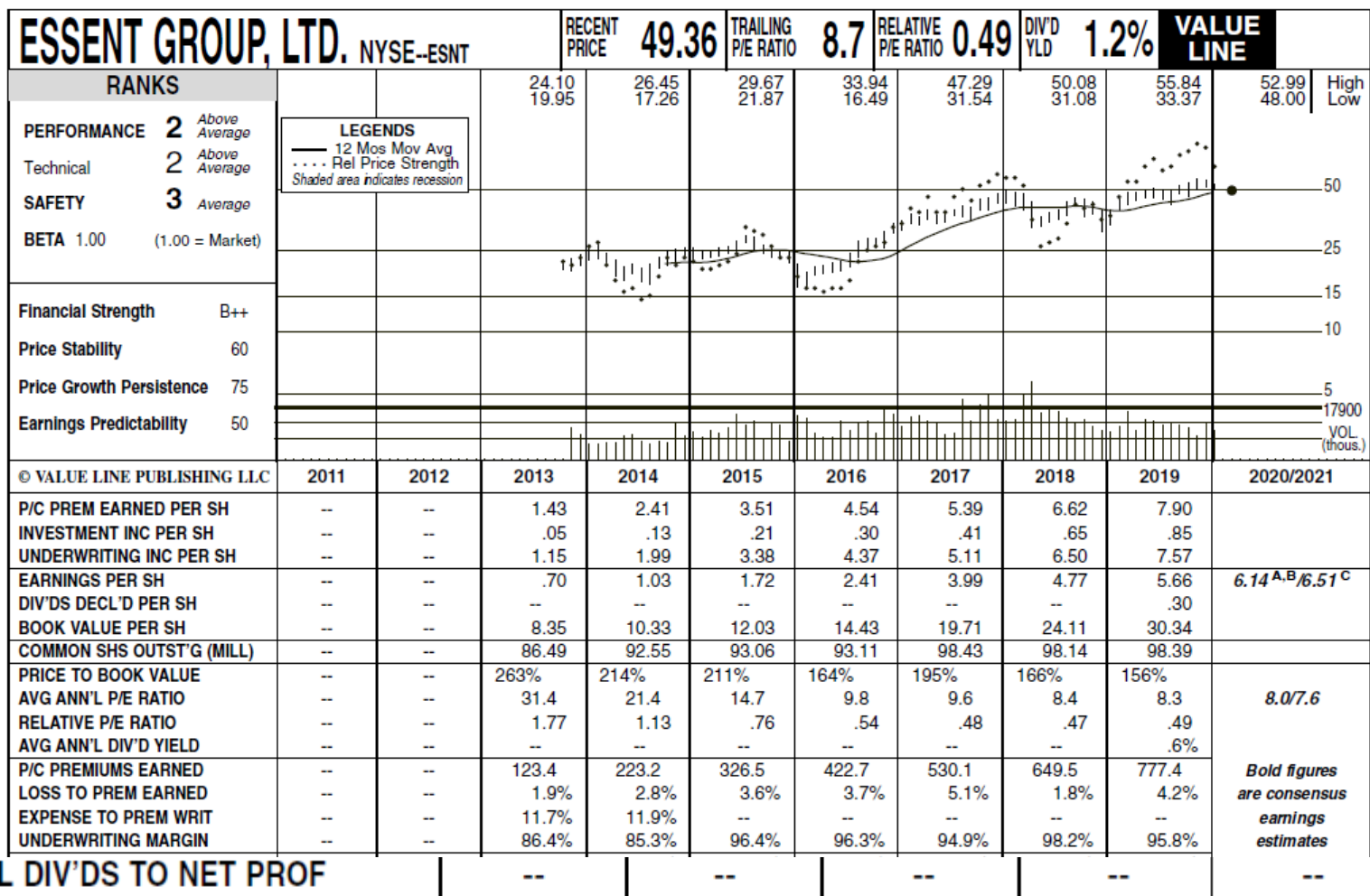


Growth Rate Value Line

ESNT has Small Company VL Sheet

Annual Rates are historical

Analyst estimate of EPS growth is predictive



ALL DIV'DS TO NET PROF

^ANo. of analysts changing eam. est. in last 18 days: 0 up, 0 down, consensus 5-year earnings growth 10.0% per year.

ANNUAL RATES			ASSETS (\$mill.)			2017	2018	12/31/19
ALL DIV'DS TO NET PROF	--	--	--	--	--	--	5%	
^A No. of analysts changing eam. est. in last 18 days: 0 up, 0 down, consensus 5-year earnings growth 10.0% per year. ^B Based upon 3 analysts' estimates. ^C Based upon 2 analysts' estimates.								
ANNUAL RATES			ASSETS (\$mill.)			INDUSTRY: Insurance (Prop/Cas.)		
of change (per share)	5 Yrs.	1 Yr.	2017	2018	12/31/19			
Premium Inc	28.0%	19.5%	2317.9	2808.6	3448.2			
Invest Income	48.0%	30.0%	.0	.0	.0			
Earnings	41.0%	18.5%	.0	.0	.0			
Dividends	--	--	.0	.0	.0			

BUSINESS: Essent Group, Ltd., through its subsidiaries, provides private mortgage insurance and reinsurance for mortgages secured by residential properties located in the

Growth Rates from Value Line

ULTA has a full VL Sheet

Annual Rates are historical & predictive

ULTA BEAUTY NDQ-ULTA										RECENT PRICE	P/E RATIO		RELATIVE P/E RATIO		DIV'D YLD	Nil	VALUE LINE												
TIMELINESS	4	Raised 3/27/20	High: 19.3	37.2	75.7	103.5	132.7	134.5	188.5	278.6	314.9	322.5	365.5	304.7			Target Price Range	2023	2024	2025									
SAFETY	3	Raised 2/3/12	Low: 4.1	17.0	33.7	63.4	72.5	80.4	120.4	146.8	188.0	191.7	222.0	124.1															
TECHNICAL	3	Raised 4/3/20	LEGENDS																										
BETA	1.00	(1.00 = Market)	18.0 x "Cash Flow" p sh																										
18-Month Target Price Range			Options: Yes																										
Low-High			Shaded area indicates recession																										
Midpoint (% to Mid)																													
\$130-\$325																													
\$232 (15%)																													
2023-25 PROJECTIONS																													
	Price	Gain	Ann'l Total Return																										
High	440	(+115%)	21%																										
Low	295	(+45%)	9%																										
Institutional Decisions																													
	2020/19	3Q2019	4Q2019																										
to Buy	362	374	335																										
to Sell	328	370	366																										
Hold (000)	53452	53032	51564																										
	Percent shares traded																												
	45																												
	30																												
	15																												
Ulta Salon, Cosmetics & Fragrance, Inc. was founded in 1990 as a discount beauty retailer, eventually embarking on a multi-year expansion and transformation strategy. The company went public in October, 2007.										2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	% VALUE LINE PUB. LLC		23-25					
										24.17	28.55	34.69	41.58	50.50	61.76	78.14	96.75	114.65	130.69	141.25	153.95	Sales per sh ^A		200.00					
										2.26	3.15	4.07	4.81	6.06	7.63	10.28	12.65	16.01	17.69	18.65	20.10	"Cash Flow" per sh ^B		24.40					
										1.16	1.90	2.88	3.15	3.98	4.98	6.52	8.31	10.94	12.15	12.55	13.50	Earnings per sh ^B		17.50					
																							Div'ds Decl'd per sh ^D		Nil				
																							Book Value per sh		60.00				
																							Common Shs Outst'g ^C		50.00				
Current Assets										1536.2	1914.9	2055.3																	
Accts Payable										259.5	404.1	414.0																	
Debt Due										--	--	--																	
Other										269.8	419.6	723.2																	
Current Liab.										529.3	823.7	1137.2																	
ANNUAL RATES										Past	Past	Est'd '17-'19																	
of change (per sh)										10 Yrs.	5 Yrs.	to '23-'25																	
Sales										20.0%	22.0%	10.0%																	
"Cash Flow"										33.5%	25.5%	9.0%																	
Earnings										35.0%	26.0%	9.0%																	
Dividends										--	--	Nil																	
Book Value										22.0%	14.5%	11.5%																	
Fiscal Year Begins	QUARTERLY SALES (\$ mill.) ^A					Full Fiscal Year																							
	Apr.Per	Jul.Per	Oct.Per	Jan.Per																									
2017	1314.9	1289.8	1342.2	1937.6	5884.5																								
2018	1543.7	1488.2	1560.0	2124.7	6716.6																								
2019	1714.0	1660.0	1730.0	2300.0	7404.0																								
2020	1810.0	1750.0	1800.0	2400.0	7760.0																								
2021	1900.0	1850.0	1900.0	2500.0	8150.0																								
beauty offerings in Ulta's numerous brick-and-mortar establishments as well as through its e-commerce channels. Further-																				e-commerce arena will likely serve customers in certain markets such as shampoos and cleansers.									

broad assortment of products. The company is primarily located in the United States.

Ulta Beauty is almost entirely owned by its employees. Although the company's fiscal 2021 revenue was down in February, management is pleased with the 10% annual growth in beauty e-commerce and-mortar stores.

Management has postponed short-term plans to open brick-and-mortar stores. New hires have been reduced in certain markets potentially exposing the company to a pressured business environment. On the upside, the e-commerce arena will likely serve customers in certain markets such as shampoos and cleansers.

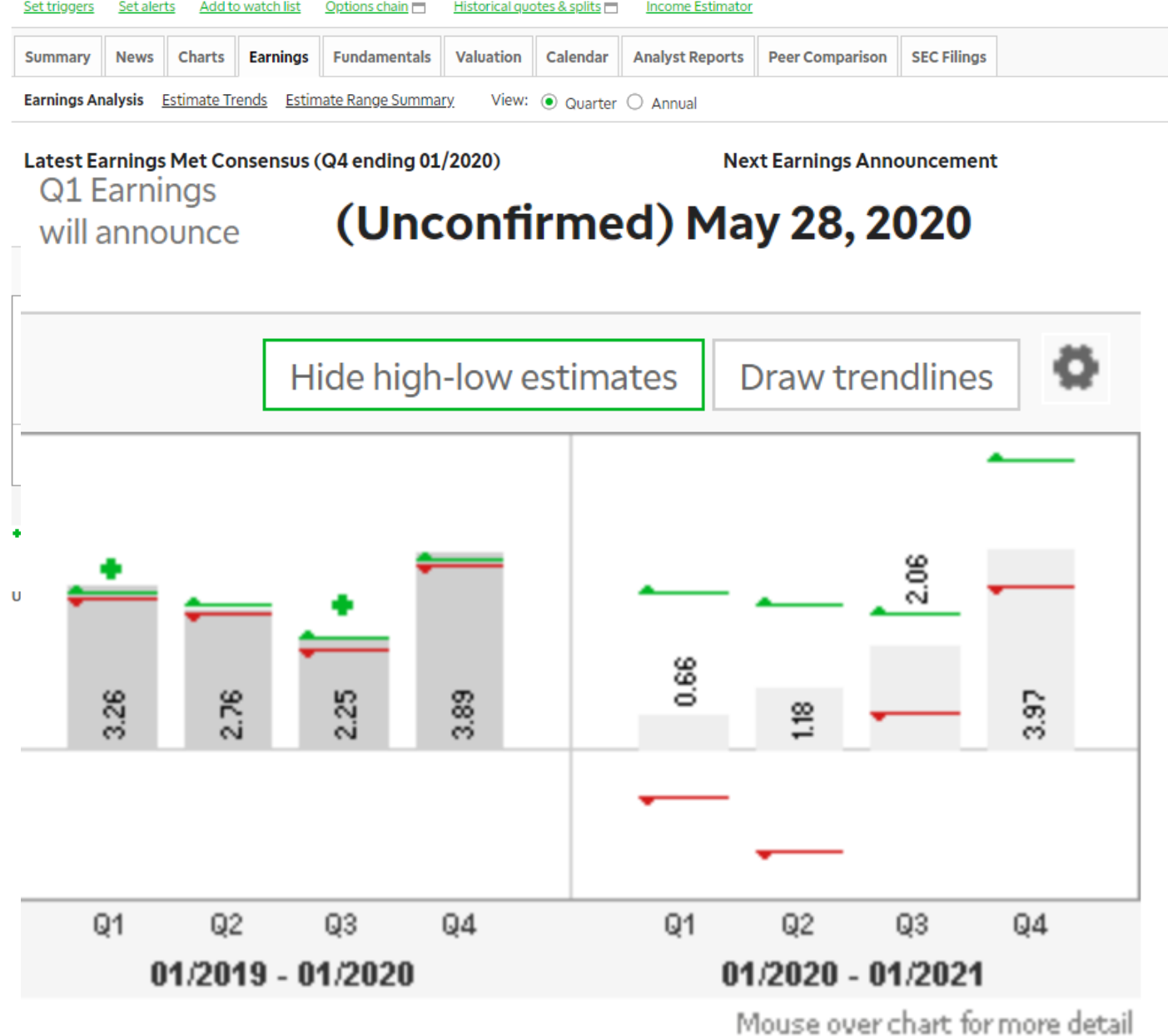
Growth Rates from Analyst Estimates

Analyst estimates for sales and EPS available from many sites

Ameritrade's profile for ULTA showing history and prediction of quarterly numbers

Predictions indicate extreme uncertainty for this retailer!

Q1 2020 EPS estimates range from **\$(.97)** to \$3.13!



Future PEs from Value Line

ULTA has a full VL Sheet

Last column has prediction for 2023-2025

- Sales
- EPS
- Avg PE

ULTA BEAUTY NDQ-ULTA										RECENT PRICE	P/E RATIO	Trailing: 16.7 Median: 30.0		RELATIVE P/E RATIO	DIV'D	Nil	VALUE LINE																		
										202.60	16.3		1.12				Target Price Range	2023	2024	2025															
TIMELINESS	4	Raised 3/27/20	High: 19.3	37.2	75.7	108.5	132.7	134.5	188.5	278.6	314.9	322.5	365.5	304.7																					
SAFETY	3	Raised 2/3/12	Low: 4.1	17.0	33.7	63.4	72.5	80.4	120.4	146.8	188.0	191.7	222.0	124.1																					
TECHNICAL	3	Raised 4/3/20	LEGENDS — 18.0 x "Cash Flow" p/sh ... Relative Price Strength Options: Yes Shaded area indicates recession																																
BETA	1.00	(1.00 = Market)																																	
18-Month Target Price Range																		800																	
Low-High Midpoint (% to Mid)																		300																	
\$139-\$325 \$232 (15%)																		250																	
2023-25 PROJECTIONS																		200																	
Price Gain Ann'l Total																		150																	
High	440	(+115%)	27%																100																
Low	295	(+45%)	9%																75																
Institutional Decisions																		% TOT. RETURN 3/20																	
2020/19 3020/19 4020/19																		THIS STOCK VS. ARITH. INDEX																	
to Buy	362	374	335																1 yr.	-49.6	-26.1														
to Sell	328	370	366																3 yr.	-38.4	-16.7														
Hld'g(000)	53452	53032	51564																5 yr.	16.5	-5.7														
Percent shares traded: 45/30/15																		© VALUE LINE PUB. LLC 23-25																	
Ulta Salon, Cosmetics & Fragrance, Inc. was founded in 1990 as a discount beauty retailer, eventually embarking on a multi-year expansion and transformation strategy. The company went public in October, 2007, issuing 7.7 million shares at an initial price of \$18 per share. At the time, the company also converted 41.5 million preferred shares into common stock. The lead underwriters for the deal were J.P. Morgan and Wachovia Securities.																		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Sales per sh ^A			200.00		
																		24.17	28.55	34.69	41.58	50.50	61.76	78.14	96.75	114.65	130.69	141.25	153.95	"Cash Flow" per sh ^A			24.40		
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																		1.16	1.90	2.68	3.15	3.98	4.98	6.52	8.31	10.94	12.15	12.55	13.50	Div'ds Decl'd per sh ^D			Nil		
																		6.69	9.40	12.29	15.62	19.44	22.71	24.95	29.17	31.07	33.60	38.20	45.30	Book Value per sh			60.00		
																		60.20	62.21	64.01	64.23	64.18	63.54	62.13	60.82	58.58	56.61	55.00	53.00	Common Shs Outst'g ^C			50.00		
																		22.8	31.4	34.3	31.7	26.1	32.4	35.4	30.2	23.0	24.6	Avg Ann'l P/E Ratio			21.0				
																		1.45	1.97	2.18	1.78	1.37	1.63	1.86	1.52	1.24	1.33	Relative P/E Ratio			1.15				
																		--	--	--	--	--	--	--	--	--	--	Avg Ann'l Div'd Yield			Nil				
CAPITAL STRUCTURE as of 2/2/20																		1454.8	1776.2	2220.3	2670.6	3241.4	3924.1	4854.7	5884.5	6716.6	7398.1	7770	8160	Sales (\$mill) ^A			10000		
Total Debt None																		37.7%	39.0%	39.3%	39.2%	39.5%	39.2%	39.9%	40.3%	39.9%	40.0%	40.2%	39.5%	Gross Margin			40.5%		
																		12.6%	15.3%	16.6%	16.2%	16.7%	17.1%	18.2%	17.6%	16.9%	16.2%	16.5%	16.6%	Operating Margin			17.0%		
																		389	449	550	675	774	874	974	1074	1174	1254	1300	1375	Number of Stores			1600		
Leases, Uncapitalized: Annual rentals \$317.7 mill.																		71.0	120.3	172.5	202.8	257.1	320.0	409.8	516.9	658.6	705.9	725	730	Net Profit (\$mill)			930		
																		39.9%	38.5%	38.3%	38.1%	37.5%	36.9%	37.5%	34.3%	23.3%	22.1%	24.0%	24.0%	Income Tax Rate			27.0%		
No Defined Benefit Pension Plan																		4.9%	6.8%	7.8%	7.6%	7.9%	8.2%	8.4%	8.8%	9.8%	9.5%	9.3%	9.1%	Net Profit Margin			9.3%		
Common Stock 56,309,476 shs. as of 3/23/20																		241.0	415.3	568.2	735.9	900.8	979.0	1053.4	1006.9	1091.2	918.0	950	1000	Working Cap'l (\$mill)			1900		
																		402.5	584.7	786.9	1003.1	1247.5	1442.9	1550.2	1774.2	1820.2	1902.1	2100	2400	Long-Term Debt (\$mill)			Nil		
																		17.6%	20.6%	21.9%	20.2%	20.6%	22.2%	26.4%	29.1%	36.2%	37.1%	34.5%	31.0%	Return on Total Cap'l			31.0%		
																		17.6%	20.6%	21.9%	20.2%	20.6%	22.2%	26.4%	29.1%	36.2%	37.1%	34.5%	31.0%	Return on Shr. Equity			31.0%		
																		17.6%	20.6%	21.9%	20.2%	20.6%	22.2%	26.4%	29.1%	36.2%	37.1%	34.5%	31.0%	Retained to Com Eq			31.0%		
																		--	--	--	--	--	--	--	--	--	--	Nil	Nil	All Div'ds to Net Prof			Nil		
CURRENT POSITION 2017 2018 2/2/20 (\$MILL.)																		BUSINESS: Ulta Beauty, Inc., formerly Ulta Salon, operates specialty retail stores selling cosmetics, fragrance, haircare, and skincare products, and related accessories and services. It offers a broad assortment of over 25,000 prestige and mass beauty products. The company has approximately 1,254 stores in 50 states, primarily located in off-mall locations, with an average store size of more than 10,000 square feet, including 950 square feet dedicated to full-service salons. Has about 44,000 employees. Officers & directors own 4.2% of common stock; Vanguard, 9.9%; BlackRock, 6.7%; AllianceBernstein, 5.2% (4/19 Proxy). CEO: Mary Dillon. Inc.: Delaware. Address: 1000 Remington Blvd., Suite 120, Bolingbrook, IL 60440. Telephone: 630-410-4800. Internet: www.ulta.com.																	
Cash Assets																		415.0	409.3	502.3															
Receivables																		88.6	136.2	139.3															
Inventory (FIFO)																		944.0	1214.3	1293.7															
Other																		88.6	155.1	120.0															
Current Assets																		1536.2	1914.9	2055.3															
Accts Payable																		259.5	404.1	414.0															
Debt Due																		--	--	--															
Other																		269.8	419.6	723.2															
Current Liab.																		529.3	823.7	1137.2															
ANNUAL RATES Past Past Est'd '17-'19 of change (per sh) 10 Yrs. 5 Yrs. to '23-'25																		Ulta Beauty's stock price has declined almost 30% since our January review. Although the company recorded a decent fiscal 2019 full-year performance (ended February 2, 2020), investors appear displeased. Last year, sales and earnings rose 10% and 11%, respectively. Top-line growth was enhanced by broad-based beauty offerings in Ulta's numerous brick-and-mortar establishments as well as through its e-commerce channels. Further-																	
Sales																		20.0%	22.0%	10.0%															
"Cash Flow"																		33.5%	25.5%	0.0%															
Earnings																		35.0%	26.0%	0.0%															
Dividends																		--	--	Nil															
Book Value																		22.0%	14.5%	11.5%															
Fiscal Year Begins																		Full Fiscal Year																	
2017																		1314.9	1289.8	1342.2	1937.6	5884.5													
2018																		1543.7	1488.2	1560.0	2124.7	6716.6													

Conclusions

Judgements on companies are hard (EVEN FOR ANALYSTS!)

Don't buck the trend lines unless you have a good reason

Let the various data sources guide you

Many other resources offer advice on judgement (See recorded BI Webinars)