# Stock Selection Guide®

**NATIONAL ASSOCIATION OF INVESTORS CORPORATION**

**BETTERINVESTING**
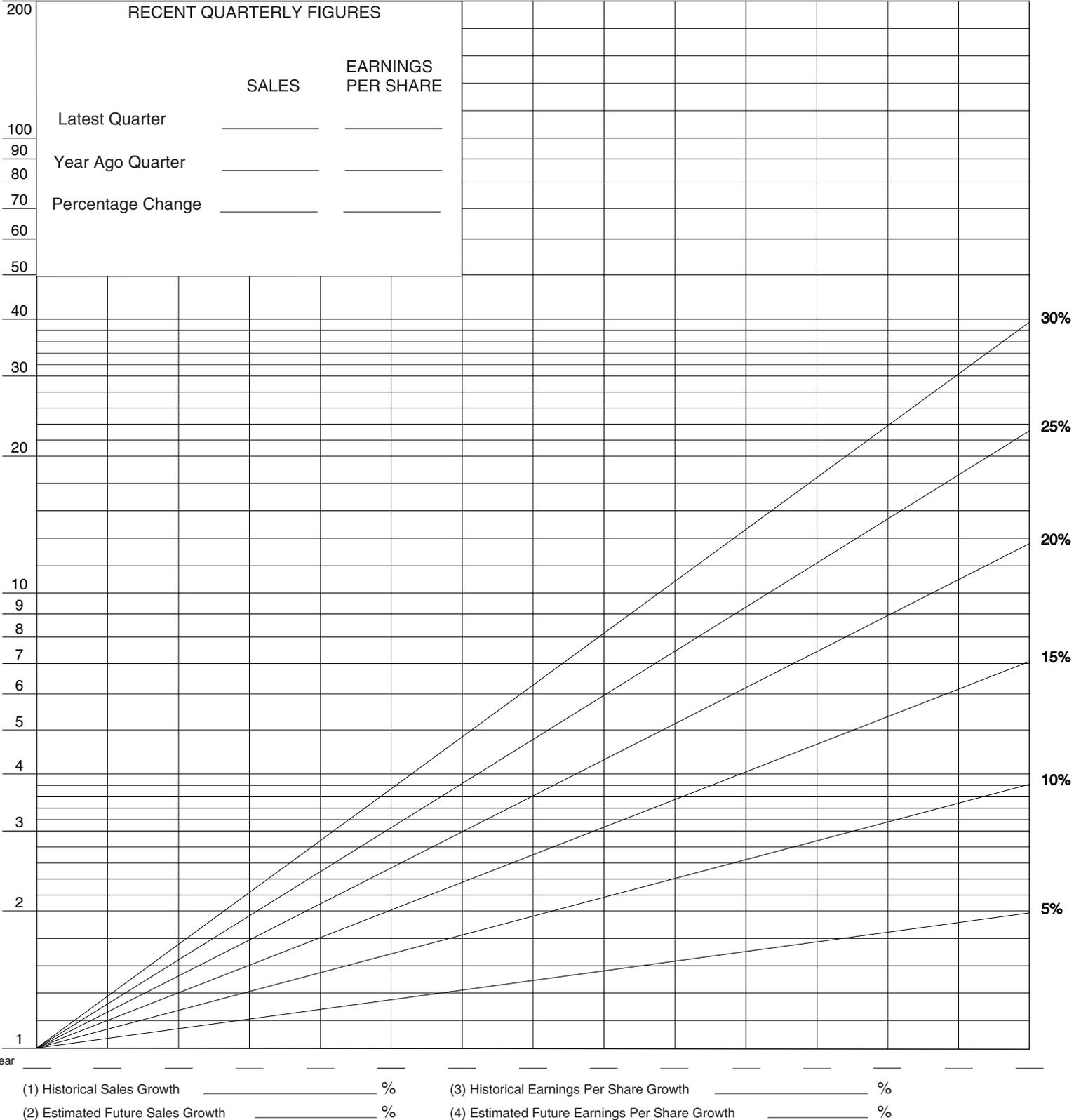The Leader In Investment Education

Company _____ Date _____

Prepared by _____ Data taken from _____

Where Traded _____ Major product/service _____

CAPITALIZATION --- Outstanding Amounts _____ Reference _____

| Preferred | | % Insiders | % Institution |
|---|---|---|---|
| Common | | | |
| Debt | % to Tot.Cap. | % Potential Dil. | |

## 1  VISUAL ANALYSIS of Sales, Earnings and Price

### RECENT QUARTERLY FIGURES

| | SALES | EARNINGS PER SHARE |
|---|---|---|
| Latest Quarter | _____ | _____ |
| Year Ago Quarter | _____ | _____ |
| Percentage Change | _____ | _____ |



(1) Historical Sales Growth _____ %

(2) Estimated Future Sales Growth _____ %

(3) Historical Earnings Per Share Growth _____ %

(4) Estimated Future Earnings Per Share Growth _____ %

## 2 EVALUATING MANAGEMENT

Company _____

| | Year | | | | | | | | LAST 5 YEAR AVG. | TREND UP | DOWN |
|---|---|---|---|---|---|---|---|---|---|---|---|
| A | % Pre-tax Profit on Sales (Net Before Taxes ÷ Sales) | | | | | | | | | | |
| B | % Earned on Equity (E/S ÷ Book Value) | | | | | | | | | | |

## 3 PRICE-EARNINGS HISTORY as an indicator of the future

This shows how stock prices have fluctuated with earnings and dividends. It is a building block for translating earnings into future stock prices.

PRESENT PRICE _____  HIGH THIS YEAR _____  LOW THIS YEAR _____

| Year | A PRICE HIGH | B PRICE LOW | C Earnings Per Share | D Price Earnings Ratio HIGH A ÷ C | E Price Earnings Ratio LOW B ÷ C | F Dividend Per Share | G % Payout F ÷ C X 100 | H % High Yield F ÷ B X 100 |
|---|---|---|---|---|---|---|---|---|
| 1 | | | | | | | | |
| 2 | | | | | | | | |
| 3 | | | | | | | | |
| 4 | | | | | | | | |
| 5 | | | | | | | | |
| 6 TOTAL | | | | | | | | |
| 7 AVERAGE | | | | | | | | |
| 8 AVERAGE PRICE EARNINGS RATIO | | | | 9 CURRENT PRICE EARNINGS RATIO | | | | |

## 4 EVALUATING RISK and REWARD over the next 5 years

Assuming one recession and one business boom every 5 years, calculations are made of how high and how low the stock might sell. The upside-downside ratio is the key to evaluating risk and reward.

A HIGH PRICE -- NEXT 5 YEARS

Avg. High P/E _____ (3D7 as adj.) X Estimate High Earnings/Share _____ = Forecast High Price $ _____ (4A1)

B LOW PRICE -- NEXT 5 YEARS

(a) Avg. Low P/E _____ (3E7 as adj.) X Estimated Low Earnings/Share _____ = $ _____

(b) Avg. Low Price of Last 5 Years = _____ (3B7)

(c) Recent Severe Market Low Price = _____

(d) Price Dividend Will Support  Present Divd. / High Yield (H) = _____ = _____

Selected Estimate Low Price _____ = $ _____ (4B1)

C ZONING

_____ (4A1) High Forecast Price Minus _____ (4B1) Low Forecast Price Equals _____ (C) Range. 1/3 of Range = _____ (4CD)

(4C2) Lower 1/3 = (4B1) _____ to _____ (Buy)

(4C3) Middle 1/3 = _____ to _____ (Maybe)

(4C4) Upper 1/3 = _____ to _____ (4A1) (Sell)

Present Market Price of _____ is in the _____ (4C5) Range

D UP-SIDE DOWN-SIDE RATIO (Potential Gain vs. Risk of Loss)

High Price (4A1) _____ Minus Present Price _____

Present Price _____ Minus Low Price (4B1) _____ = _____ = _____ (4D) To 1

E PRICE TARGET (Note: This shows the potential market price appreciation over the next five years in simple interest terms.)

High Price (4A1) _____

Present Market Price _____ = ( _____ ) X 100 = ( _____ ) - 100 = _____ (4E) % Appreciation

## 5 5-YEAR POTENTIAL

This combines price appreciation with dividend yield to get an estimate of total return. It provides a standard for comparing income and growth stocks.

Note: Results are expressed as a simple rate; use the table below to convert to a compound rate.

A Present Full Year's Dividend $ _____

Present Price of Stock $ _____ = _____ X 100 = _____ (5A) Present Yield or % Returned on Purchase Price

B AVERAGE YIELD OVER NEXT 5 YEARS

Avg. Earnings Per Share Next 5 Years _____ X Avg. % Payout (3G7) _____ = _____ = _____ % (5B)

Present Price $ _____

C ESTIMATED AVERAGE ANNUAL RETURN OVER NEXT FIVE YEARS

5 Year Appreciation Potential (4E) _____ / 5 _____ %

Average Yield (5B) _____ %

Average Total Annual Return Over the Next 5 Years (5C) _____ %

Table to Convert From Simple to Compound Rate

| Simple Rate | 2 | 4 | 6 | 8 | 10 | 12 | 14 | 16 | 18 | 20 | 22 | 24 | 26 | 28 | 30 | 32 | 34 | 36 | 38 | 40 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Compound Rate | 2 | 4 | 6 | 8 | 10 | 12 | 14 | 16 | 18 | 20 | 22 | 24 | | | | | | | | |