

## Kim's Value Line checklist

\*Remember Value Line has normalized earnings

Yes No More Research

- 1) Projection Box will have a minimum of 10% average annual gain
- 2) P/E ratio at the top. Want to buy only when the current P/E is below the median P/E
- 3) Graph in the middle of the page. Is the current price below the solid, then dotted line, the Relative Strength line in the graph. The price is then probably undervalued.
- 4) Do a quick and dirty Discounted Cash Flow. Take the multiple in the LEGENDS BOX if cash flow/share  
Start with the "cash flow" per share shown in the numeric grid below the graph.  
Subtract Dividends per Share.  
Subtract Capital Spending per share shown just below Dividends per share.  
Multiple the resulting number by the multiple of cash flow shown in the LEGENDS box.  
Compare the resultant number to the range of projected prices for five years.  
If the prices are close to one another, they are mutually supportive.  
Not every stock will have cash flow in the Legend box. Some have EPS.
- 5) Are the sales per share increasing? At what rate?
- 6) Is cash flow per share increasing? Has it in the past and can it double in 5 years?
- 7) Figure the percent of "Cash Flow per Share" (CFS) "Capital Spending per Share" (CPS) represents.  
 $CPS \text{ divided by } CFS = \% \text{ cash flow is capital spending.}$   
Less than 30% is best.
- 8) Is Book Value per share increasing and at what rate?
- 9) Is Common Shares outstanding increasing, decreasing or constant?
- 10) Is net profit margin greater than 15% and be sure to compare it to its industry.
- 11) Is "Return on Total Cap" greater than 15% and compare it to its industry.
- 12) In the CAPITAL STRUCTURE BOX, are there any pension obligations?
- 13) In the CAPITAL STRUCTURE BOX, review what interest is due in 5 years. Is there enough free cash flow to cover it?
- 15) Are there leases due listed in the CAPITAL STRUCTURE box? Can the free cash flow cover annual rents due?
- 16) In the CURRENT POSITION BOX, are receivables and inventory going up, down, or constant?
- 17) In the CURRENT POSITION BOX, are Current Liabilities going up, down, or constant?
- 18) What is the Company's Financial Strength? What is the minimum you will accept?
- 19) Is the Earnings Predictability over 80?
- 20) Are Capital Spending per Share and Dividends per Share growing faster than cash Flow per Share?

For REITs I look at FFO is it going up?