**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 – LowVL 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:** |
|  |  |  |  |