

February 22, 2024



The Panelists



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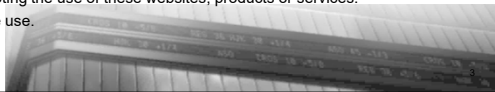
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The Program

Online Stock Tools

- Exploring the Ratios Tab in SSGPlus

Investment Returns

- What Is Meant by BetterInvesting's 15% Target?

Investing Basics

- Handling Stock Splits in the Online Tools


Five in Five

- Stock Ideas to Consider




EXPLORING THE RATIOS TAB IN SSGPLUS

Suzi Artzberger
Director, Online Tools, IT & Data
February 2024

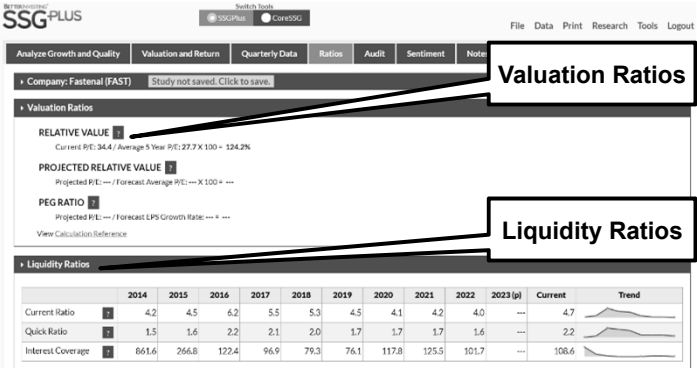



Agenda

- Overview of the Ratios Tab
- Valuation Ratios
 - Relative Value
 - Projected Relative Value
 - PEG (PE/Growth) Ratio
- Liquidity Ratios
 - Quick Ratio
 - Current Ratio
 - Interest Coverage




Ratios Tab





VALUATION RATIOS

Metrics used to assess the value of a company's stock



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Valuation Ratios in the Ratios Tab

- 1.Relative Value:** Relative value compares the current P/E to the average P/E ratio (adjusted by removal of any outliers) for the last five years — it measures how much investors are currently paying for a stock compared with the average P/E during the past five years.
- 2.Projected Relative Value:** Projected relative value uses your EPS growth rates and high and low P/E projections (projected P/E) to present a more forward-looking view of relative value.
- 3.PEG Ratio (PEG):** The PEG ratio compares a stock's projected P/E with forecasted earnings growth to establish a broader valuation ratio that includes projected growth on the theory that the market is willing to pay for high-quality growth.

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Relative Value

- Relative value compares the current P/E to the average P/E ratio for the last five years.

RELATIVE VALUE ?

(Current P/E: 34.1 / Average 5 Year P/E: 27.7) X 100 = 123.0%

No judgments (forecasts) are needed for the Relative Value calculation

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Relative Value

3. PRICE EARNINGS HISTORY as an indicator of the future

CLOSING PRICE (01/24/24): 68.84		52-WEEK HIGH: 70.10		52-WEEK LOW: 48.37					
* 5 Years	10 Years	A	B	C	D	E	F	G	H
Year		Price		Earnings	Price Earnings Ratio		Dividend	% Payout	% High Yield
		High	Low	Per Share	High A / C	Low B / C	Per Share	F / C * 100	F / B * 100
2019		37.9	24.8	1.38	27.5	18.0	0.87	63.0%	3.5%
2020		50.5	26.7	1.49	33.9	17.9	1.00	67.1%	3.7%
2021		64.7	43.4	1.60	40.5	27.1	1.12	70.0%	2.6%
2022		64.1	43.7	1.89	33.9	23.1	1.24	65.6%	2.8%
2023		65.7	45.7	2.02	32.5	22.6	1.40	69.3%	3.1%
5 YEAR AVERAGE			36.9		33.7	21.8		67.0%	
CURRENT/TTM				2.02	34.7	23.9	1.56	77.2%	
5 YEAR AVERAGE PRICE EARNINGS RATIO					27.7				
CURRENT PRICE EARNINGS RATIO						34.1			

RELATIVE VALUE ?

(Current P/E: 34.1 / Average 5 Year P/E: 27.7) X 100 = 123.0%

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Projected Relative Value

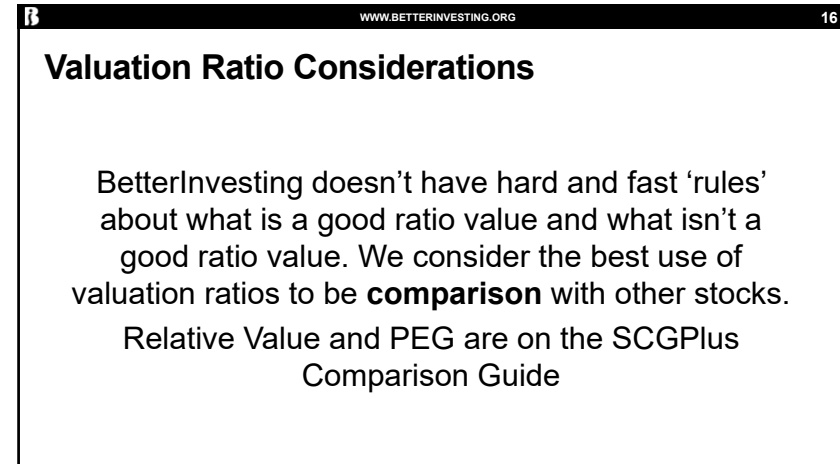
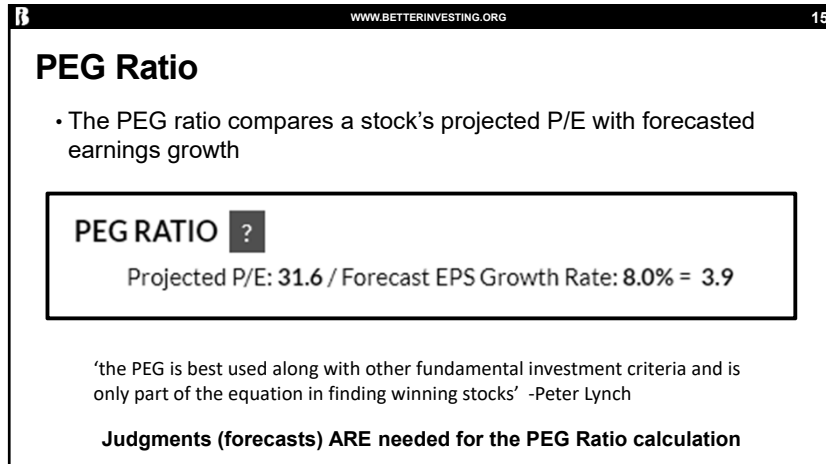
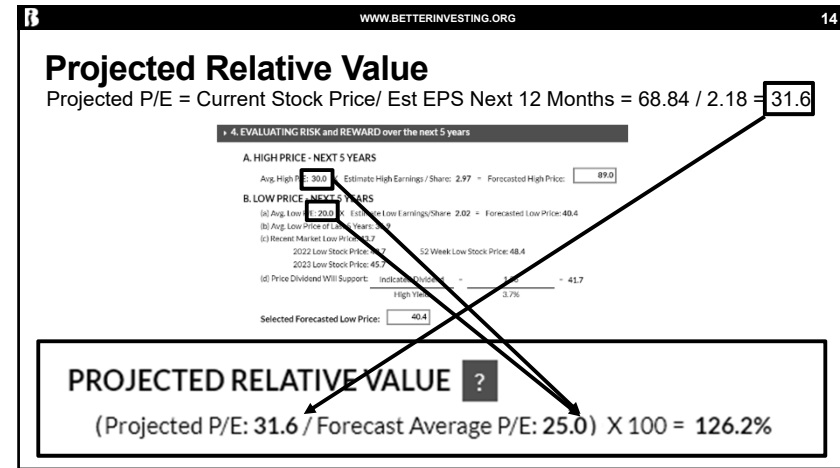
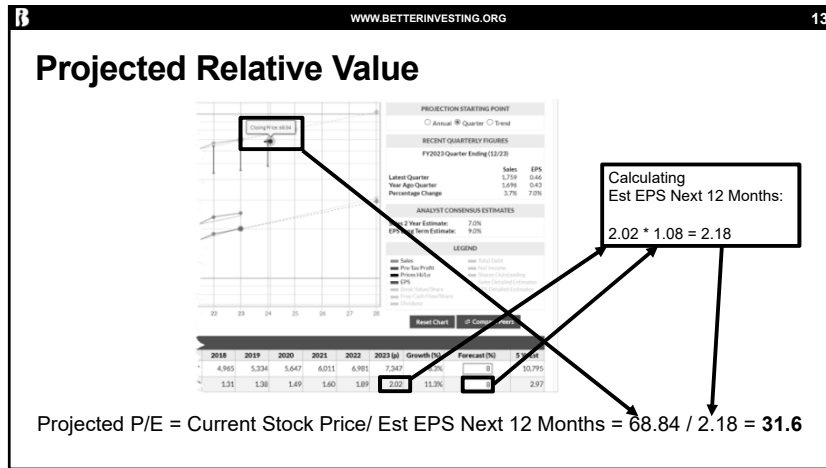
- Projected relative value uses your projected EPS growth rate and high and low P/E projections (projected P/E) to present a more forward-looking view of relative value.

PROJECTED RELATIVE VALUE ?

(Projected P/E: 31.6 / Forecast Average P/E: 25.0) X 100 = 126.2%

Projected P/E = Current Stock Price/ Est EPS Next 12 Months

Judgments (forecasts) ARE needed for the Projected Relative Value calculation



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Valuation Ratio Considerations

The **PERT report** will 'flag' the Projected Relative Value if the value is below 80 or above 150.

- If below 80, consider if the company is 'on sale' because of a problem with fundamentals.
- If above 150, consider if another investment might provide better value.

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LIQUIDITY RATIOS

Ratios that measure a company's ability to meet its short-term obligations and convert assets into cash quickly.

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Current Ratio

- The Current Ratio indicates a company's ability to pay its short-term obligations, or those **due within one year**. Calculated by dividing current assets by current liabilities. The higher the ratio, the more liquid the company.

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023 (p)	Current	Trend
Current Ratio	4.2	4.5	6.2	5.5	5.3	4.5	4.1	4.2	4.0	---	4.7	

- A 'good' number is > 1.5
- Below 1 is considered a warning

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Quick Ratio

- The Quick Ratio indicates a company's ability to pay its short-term obligations, or those due within one year, with liquid assets. Liquid assets can be **quickly converted to cash**, including cash, cash equivalents, and accounts receivable. Calculated by dividing the company's liquid assets (cash + cash equivalents + accounts receivable) by current liabilities.

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023 (p)	Current	Trend
Quick Ratio	1.5	1.6	2.2	2.1	2.0	1.7	1.7	1.7	1.6	---	2.2	

- It is considered a **more conservative ratio** than the current ratio. The higher the ratio, the more liquid the company.
- A 'good' number is > 1.5
- Below 1 is considered a warning

Interest Coverage

- Interest Coverage indicates a company's ability to pay the interest payments on its debt. Calculated by dividing EBIT (earnings before interest and taxes) by interest expenses. The higher the ratio, the stronger its ability to meet interest payments.

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023(p)	Current	Trend
Interest Coverage	861.6	266.8	122.4	96.9	79.3	76.1	117.8	125.5	101.7	---	108.6	

More information on Interest Coverage is available in the May 2023 TickerTalk webinar.

Guidelines for Interest Coverage

- Higher Interest Coverage is better.

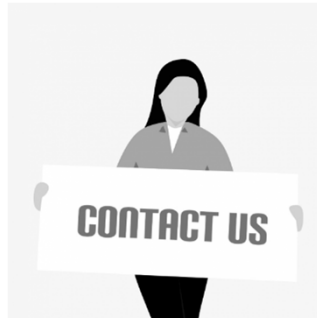
Interest Coverage	Guideline
Greater than 7	Adequate for most companies
Under 5	Warning!
Under 3	Big RED Flag!

- There is variation in different industries. It is helpful to compare the studied company to others in the same industry.

Liquidity/Debt Ratio Considerations

- 'Preliminary' data may not populate liquidity ratios (FAST)
- Lease obligations are counted as debt but not part of the interest coverage calculation. In other words, you can have debt on the balance sheet and have NULL (---) interest coverage.(ULTA)
- If the company doesn't specifically report interest expense, then interest coverage cannot be calculated
- Banks will not report data in the liquidity ratios section

Contact Information



BetterInvesting Member Services

- 877-275-6242
- Email: Service@BetterInvesting.org

15%

This is probably the most misunderstood number in the BetterInvesting system.



Most of you can recite the goal:

**GROW AT 15% ANNUALLY AND
DOUBLE YOUR MONEY IN FIVE
YEARS.**

If you're in a club, you probably reference this at least three or four times a year.

But, do you ever really think about the goal, where it comes from and how it relates to everyday investing?

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The 15% does NOT refer to:

- *Annual future growth in sales or earnings*
- *Historical growth in any way*
- *A single stock in a portfolio*

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The goal DOES refer to:

- *Growth for the ENTIRE PORTFOLIO (leads to good reasons to diversify!)*
- *A historical truth that has held for almost a century, even during the last 40 years*

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The founders of BI believed a hard-working club could beat the market by 5%. Since an average stock had returned about 10% for a reasonable time period, a goal of 15% was seen as achievable.

The idea of doubling your money in five years was probably NOT the impetus for choosing 15%.

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The percentage above the market is called RELATIVE RETURN. We are looking for a relative return of 5%. In today's world, we can measure probable returns for large numbers of stocks quickly and efficiently. Right now, according to many sources, the entire market has a potential average return of around 10%. That means an appropriate growth goal for this calendar year might be that 15% that we are always referencing, five points above the current perceived average.

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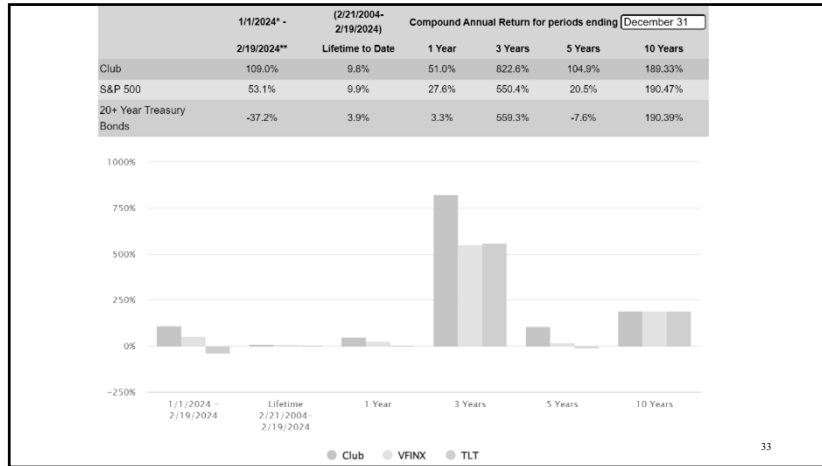
Likewise, in years when the market return for an average stock exceeded 25%, a 15% growth goal was probably not appropriate. The same could be said for years when the stock market returned less than 10% or even had negative returns.

For long-term measures, our 15% goal is still fine. On a year-to-year basis, adjust your expectations and shoot for 5% above the market.

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For those of you in clubs, ask your treasurer to run a Benchmark Report three or four times a year. That report might surprise you! Any club accounting software package can help you prepare the report.

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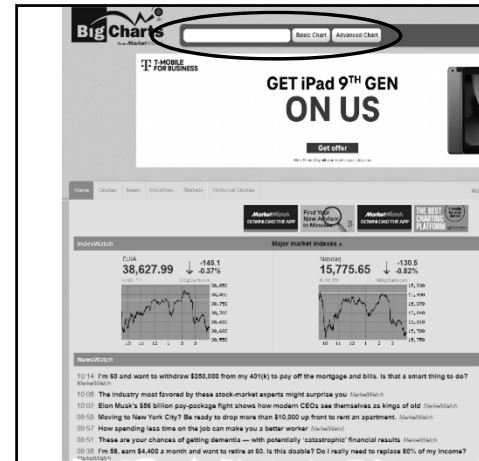
Also, please be aware that accounting packages will provide a report for each member's internal rate of return (IRR). This number is probably more meaningful to individuals in the club as it references the member's return since they joined the group.

If the total list of returns is double-digits then the club has at least met or exceeded the market average return for its current members.

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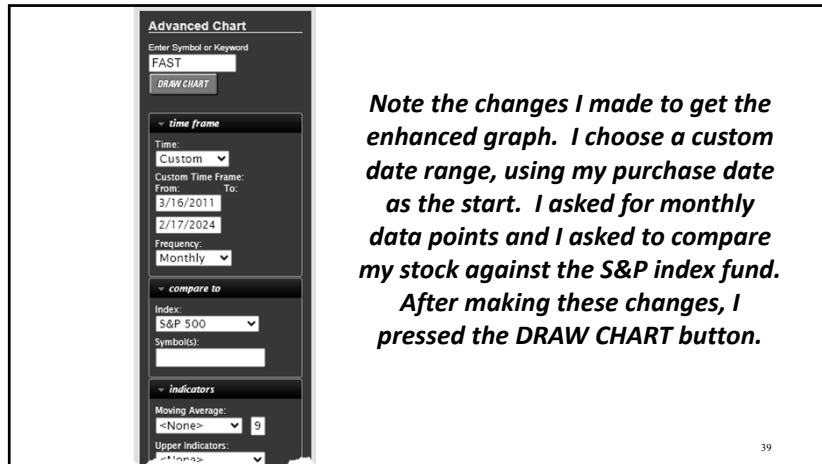
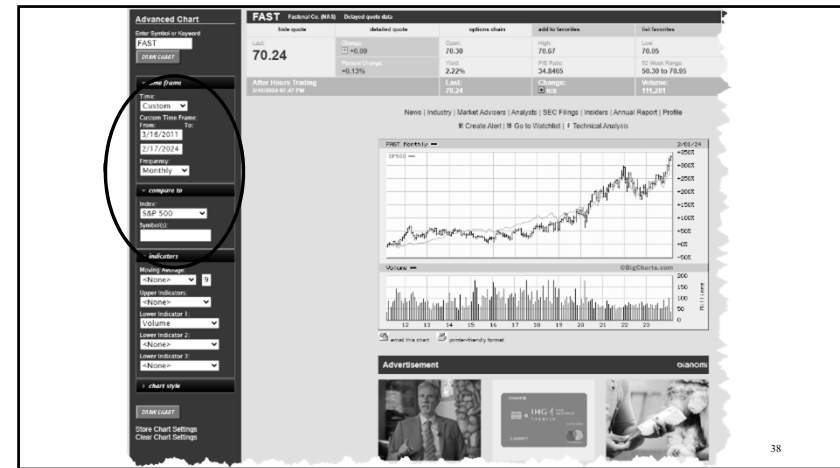
You can also monitor individual stocks to see how they are performing over the time you have held them. Besides referencing a stock performance report from your accounting software, you can also use BigCharts.marketwatch.com.

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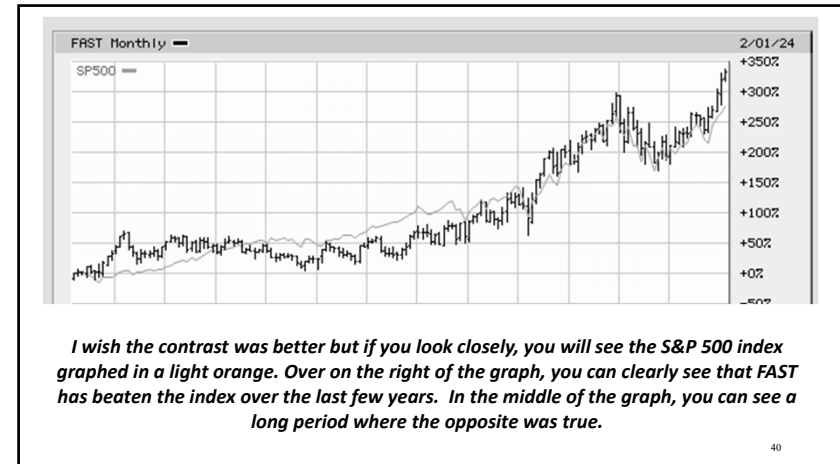


I fill in a ticker symbol and press Advanced Chart.

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Note the changes I made to get the enhanced graph. I choose a custom date range, using my purchase date as the start. I asked for monthly data points and I asked to compare my stock against the S&P index fund. After making these changes, I pressed the DRAW CHART button.



I wish the contrast was better but if you look closely, you will see the S&P 500 index graphed in a light orange. Over on the right of the graph, you can clearly see that FAST has beaten the index over the last few years. In the middle of the graph, you can see a long period where the opposite was true.

If graphs intrigue you, play around in this sandbox! You can learn a lot about your performance and about your individual stocks.



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Please take a moment to understand the meaning of the 15% goal and make sure your club does as well! Aim to manage your PORTFOLIO for a return that year in, year out, can beat the market by five percentage points or more and return 15%+ average annual price appreciation over the long term.

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And finally, remember that the Beat By Five goal is aggressive. If you do not meet the goal this year, don't beat yourself up. Stay positive, keep following the basic principles of regularly buying high-quality growth stocks at reasonable prices and don't be afraid to replace a stock or two if you can improve the overall portfolio return and quality.

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HANDLING STOCK SPLITS IN THE ONLINE TOOLS



WHAT ARE STOCK SPLITS?

A stock split is a multiplying or dividing of a company's outstanding share count that doesn't change its overall market value or capitalization, since no new capital is being paid into the company.

example: 3 for 1

Common Stock splits:
2 for 1 or 3 for 1

\$15


\$5

\$5

Reverse Stock splits:
1 for 5 or 1 for 10

The Motley Fool

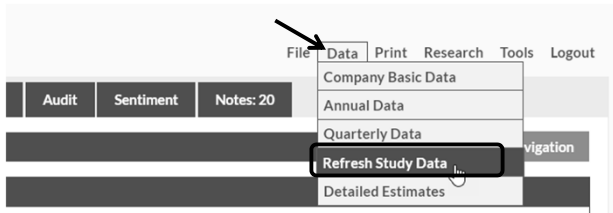
Key takeaway: A stock split has no effect on the value of your investment.



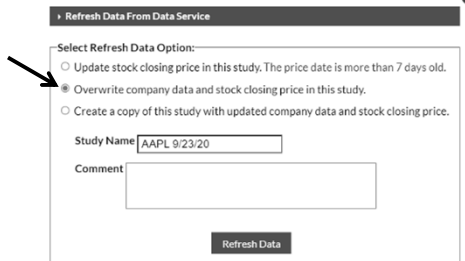
AAPL 4:1 Split August 31, 2020	Pre-Split	Post-Split
# of Shares	4,354,800,000 × 4	17,419,200,000
Share Price	\$516.16 ÷ 4	\$129.04
Market Cap	\$2,247,773,568,000	\$2,247,773,568,000
EPS (TTM)	\$13.15 ÷ 4	\$3.29
P/E	39.2	39.2
Div/Share (annual)	\$3.28 ÷ 4	\$0.82
Dividend Yield	0.6%	0.6%

One Step to Adjust Your Saved SSG for a Split

Refresh study data in SSGPlus OR CoreSSG



Update Company Data (not just the price)



IMPORTANT - Overwrite data, if SSG is used in a portfolio. Judgments on the SSG remain the same.

Pre-split CLOSING PRICE (08/18/20): 462.25 52-WEEK HIGH: 464.35 52-WEEK LOW: 201.00

Year	Price	Earnings	Price Earnings Ratio	Dividend	% Payout	% High Yield
	High Low	Per Share	High A / C Low B / C	Per Share	F / C * 100	F / B * 100
2015	134.5 92.0	9.22	14.6 10.0	1.98	21.5%	2.2%
2016	123.8 89.5	8.31	14.9 10.8	2.18	26.2%	2.4%
2017	164.5 104.1	9.21	17.9 11.3	2.40	26.1%	2.3%
2018	229.7 150.2	11.91	19.3 12.6	2.72	22.3%	1.8%
2019	233.5 142.0	11.89	19.6 11.9	3.00	25.2%	2.1%
5 YEAR AVERAGE	115.6		17.3 11.3	3.20	24.4%	
CURRENT/TTM		13.15	35.3	15.3	24.9%	
5 YEAR AVERAGE PRICE EARNINGS RATIO:	14.3					
CURRENT PRICE EARNINGS RATIO:	35.2					

Post-split CLOSING PRICE (09/22/20): 111.81 52-WEEK HIGH: 137.98 52-WEEK LOW: 53.15

Year	Price	Earnings	Price Earnings Ratio	Dividend	% Payout
	High Low	Per Share	High A / C Low B / C	Per Share	F / C * 100
2015	33.6 23.0	2.31	14.6 10.0	0.49	
2016	31.0 22.4	2.08	14.9 10.8	0.55	
2017	41.1 26.0	2.30	17.9 11.3	0.60	
2018	57.4 37.6	2.98	19.3 12.6	0.68	
2019	58.4 35.5	2.97	19.6 11.9	0.75	
5 YEAR AVERAGE	28.9		17.3 11.3	0.82	
CURRENT/TTM		3.29	42.0	16.2	
5 YEAR AVERAGE PRICE EARNINGS RATIO:	14.3				
CURRENT PRICE EARNINGS RATIO:	34.0				

"Per share" data adjusted

- Price/share
- Earnings/share
- Dividend/share

No change to historical P/Es

One More Step if the Split Stock Is in a Portfolio

Pre-split Total Return Proj Avg Return Portfolio Total Value \$64,637.50

Ticker	Company	Price Date	Price	Shares	Total Value	% of Portfolio
AAPL	Apple	8/18/2020	462.25	50.0	23,112.50	35.8
ULTA	Ulta Beauty	8/18/2020	216.24	100.0	21,624.00	33.5
V	Visa	8/18/2020	199.01	100.0	19,901.00	30.8

Post-split; AAPL SSG data has been refreshed Total Return Proj Avg Return Portfolio Total Value \$47,115.50

Ticker	Company	Price Date	Price	Shares	Total Value	% of Portfolio
AAPL	Apple	9/22/2020	111.81	50.0	5,590.50	11.9
ULTA	Ulta Beauty	8/18/2020	216.24	100.0	21,624.00	45.9
V	Visa	8/18/2020	199.01	100.0	19,901.00	42.2

The number of shares need to be adjusted in the portfolio after a stock split.

SSG PLUS

1) Click on My Studies tab

2) Click on Portfolios to open

3) Click on the portfolio you want to update

4) Click pencil icon to edit the number of shares in the portfolio

Actions	Name	Date Created	Description	Account Name	Study Count	Public
SummaryDemo		2/18/2020 11:48:31 AM			6	False
PortfolioLosses		2/20/20				False
PortfolioTutorial		8/19/2020 3:36:16 PM			8	False
Ticker Talk		9/4/2020 12:18:04 PM			3	False

Showing 1 to 10 of 10 entries

Studies for Portfolio "Ticker Talk"

Actions	Company	Ticker	Date Created	Date Updated	Industry	Sub Industry	L	Y
	Apple	AAPL TT	9/4/2020 12:16:45 PM	9/23/2020 12:04:04 PM	Technology	Consumer Electronics	L	Y
	Visa	V TT	9/23/2020 11:42:48 AM		Financial Services	Credit Services	L	Y
	Ulta Beauty	ULTA TT	9/4/2020 12:17:35 PM		Consumer Cyclical	Specialty Retail	L	Y

Edit Number of Shares

Edit Study

Ticker: AAPL

Study Name: AAPL TT

Comments:

Shares: 50 200

Save Cancel

4 for 1 stock split means investors receive 3 new shares for every 1 share owned. 50 shares pre-split becomes 200 shares post-split.

Portfolio View

Post-split and shares adjusted in the portfolio

Ticker	Company	Price Date	Price	Shares	Total Value	% of Portfolio
AAPL	Apple	9/22/2020	111.81	200.0	22,362.00	35.0
ULTA	Ulta Beauty	8/18/2020	216.24	100.0	21,624.00	33.8
V	Visa	8/18/2020	199.01	100.0	19,901.00	31.2

Portfolio Total Value: \$63,887.00

Pre-split

Ticker	Company	Price Date	Price	Shares	Total Value	% of Portfolio
AAPL	Apple	8/18/2020	462.25	50.0	23,112.50	35.8
ULTA	Ulta Beauty	8/18/2020	216.24	100.0	21,624.00	33.5
V	Visa	8/18/2020	199.01	100.0	19,901.00	30.8

Portfolio Total Value: \$64,637.50

Split adjustment is complete.

Walmart Stock Split

- Walmart has announced a 3-for-1, stock split.
- WMT shares will begin trading on a post-split basis at the market open on Monday, February 26, 2024.
- Your actions:
 - Refresh the data for your saved WMT SSGs to reflect the split-adjusted data. Please allow a few days after the split for the data to be updated.
 - In any Online Tools portfolio containing WMT shares, edit the number of shares to reflect the additional shares. For example, 50 shares will increase to 150 shares post-split.
- On February 20 the stock price closed at approximately \$176.
- On February 26 the stock price will be approximately \$59.

Summary

- Stock splits do not increase or decrease the value of your investment.
- The SSG data from Morningstar is adjusted to reflect the stock split (please allow a few days post-split for Morningstar to update their data).
- You must Refresh the Stock Data for any saved SSGs to reflect the split-adjusted data.
- The number of shares in an Online Tools portfolios must be edited to reflect the correct number of shares post-split.
 - A 2-for-1 split means you will have 2 shares post-split for every 1 you own pre-split.
 - 100 shares pre-split becomes 200 shares post-split
 - A 5-for-4 split means you will have 5 shares post-split for every 4 you own pre-split.
 - 100 shares pre-split becomes 125 shares post-split

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