

How 'I' Evaluate a Company—using the Analysis Tools—going outside the box

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The Tools

- 1 SSG
- 2 PERT Worksheet-A
- 3 PMG (Portfolio Management Guide)
- 4 PERT
- 5 SCG (Stock Comparison Guide)

- Other tools:
 - Annual Report Analysis
 - Follow Your Stocks
 - Company news

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First the SSG... 5 Sections

- 1 Quality of company
- 2 Quality of management
- 3 Price
- 4 Risk
- 5 Annualized Return (Bottom Line)

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The Judgment—

- *URLs for the information below can be found at:*
- <http://bob-adams.net>

- When on the site, click on "Miscellaneous Tools and Files"
Download: Useful URLs for your software

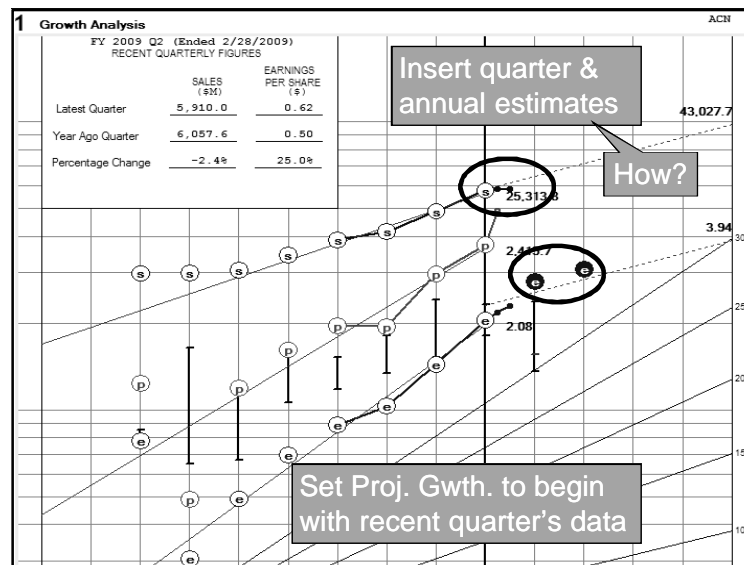
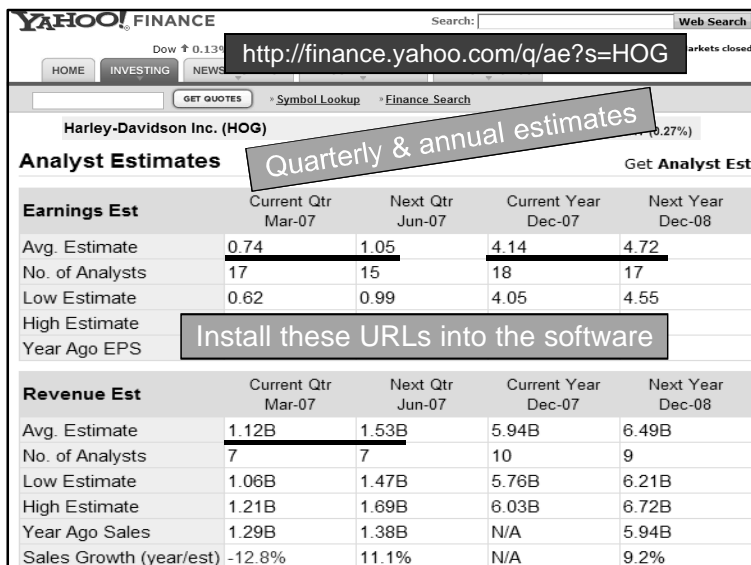
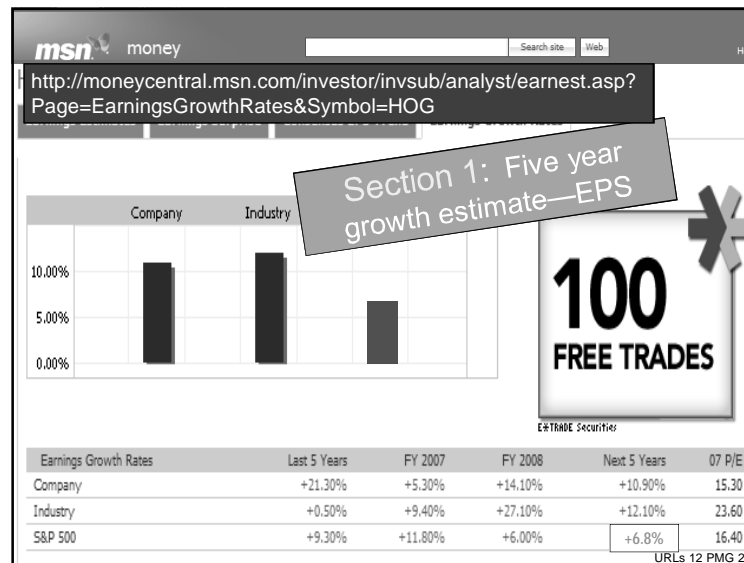
- **Stock Selection Guide (SSG)**
- Section 1: Evaluating Quality
- *Compare your future growth expectations with the Analysis's Consensus Estimate (ACE)
- *Insert the next two quarters estimated EPS and Revenues and observe the trend

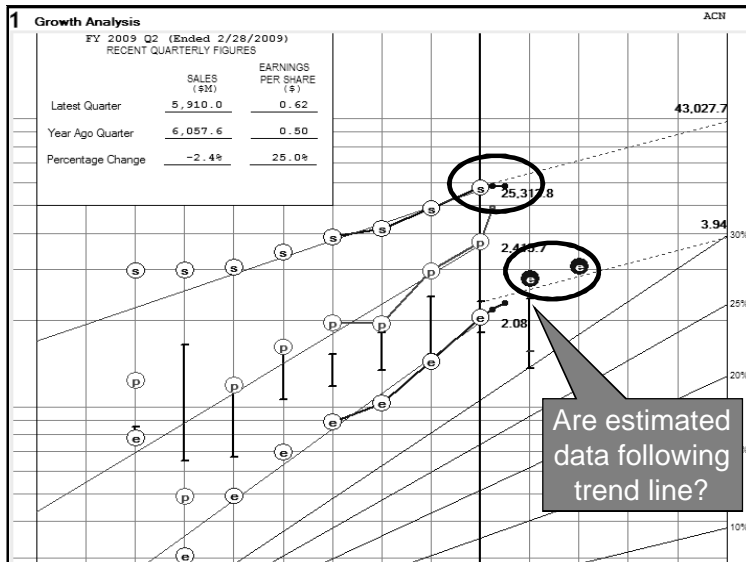
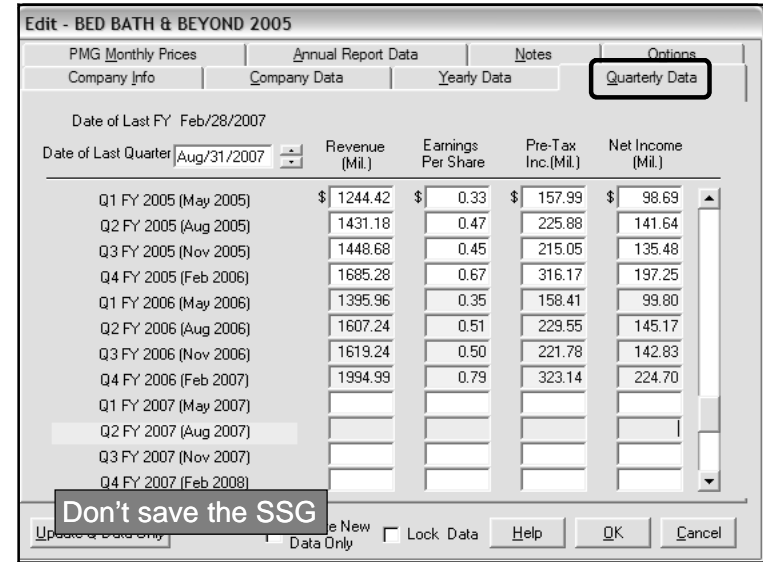
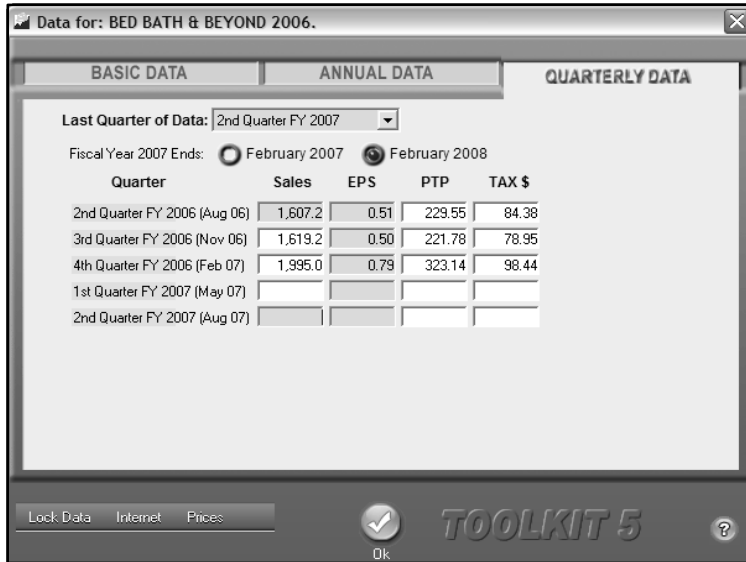
- Section 2: Evaluating Management—
- *Compare Industry Averages with the company you're analyzing
- *Compare your company with averages of peer companies
- Observe the debt to equity ratio (Toolkit 5—Alt+D)

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The Judgment—

- Section 3: Are the P/Es showing a trend? If so, compensate—the trend is likely to continue
- Is the PEG Ratio reasonable (100 or less is good—up to 150 is considered acceptable)
- Section 4: Avg. High P/E—
- Start with 1.5 times the EPS Projected Growth Rate (From Section 1)
- If historical growth has been stable and rising, increase Avg. High P/E up to 2 times the proj. growth rate
- Selected Estimated Low Price—Normally this will always be below the 52 week low price
- If the current price is too high set an alert to be notified when the price falls into the Buy zone
- www.finance.yahoo.com is suggested for setting an alert
- Section 5: 5 Year Potential
- Use Total Return (Total Annualized Return)





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Section 2—(management)

- Quality of Management
 - Return on Sales
 - Return on Equity
 - Debt to Equity Ratio

Compare to Industry averages
www.iclub.com/investing/stock_watch_list_industry.asp

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Section 2—(management)

2 EVALUATING MANAGEMENT Company **BED BATH & BEYOND INC.** (BBBY)

Toolkit

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	LAST 5 YEAR AVG.	
A % Pre-tax Profit on Sales (Net Before Taxes + Sales)	11.1	11.4	11.6	11.5	11.8	12.2	13.4	14.5	15.8	15.8	14.3	UP
B % Earned on Equity (E/S + Book Value)	25.0	24.1	23.1	22.9	20.8	19.7	20.3	19.8	22.0	23.8	21.1	UP

2 EVALUATING MANAGEMENT Company **BED BATH & BEYOND INC.** (BBBY)

Compare these values with Industry Averages

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	LAST 5 YEAR AVG.	
A % Pre-tax Profit on Sales (Net Before Taxes + Sales)	11.1	11.4	11.6	11.5	11.8	12.2	13.4	14.5	15.8	15.8	14.3	UP
C % Debt to Equity (LT Debt + BK Val + Shrs)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	EVEN*

ICLUB Control TOOLS FOR INVESTORS AND INVESTMENT CLUBS

Go ahead. Make money.

HOME PRODUCTS SUPPORT CLUBS INVESTING

COMPLETE ROSTER SSG TUTORIALS RESOURCES INVESTOR ADVISORY

www.iclub.com/investing/stock_watch_list_industry.asp

Indust Find

Find what: **Home furnishings**

Match case

Find whole words only

Find Next Close Replace...

Ctrl+F

Industry	Avg 5Yr PIP / Sales	Avg 5Yr ROE	Avg Debt / Equity	Avg 5Yr Rev Growth	Avg 5Yr EPS Growth	Avg PE	Avg EPS Pred (R2)
ADVERTISING	10.5	45.9	65.6	9.5	4.2	57.8	0.67
AEROSPACE & DEFENSE	8.9	14.6	84.7	15.1	10.8	27.5	0.58
AGRICULTURAL PRODUCTS	13.5	13.9	61.7	9.2	8.1	26.0	0.62
AIR FREIGHT & LOGISTICS	4.9	33.6	62.0	17.3	17.2	30.7	0.86
AIRLINES	8.7	19.3	484.4	18.0	7.3	25.3	0.67
AIRPORT SERVICES	35.4	3.1	11.3	4.1	6.6	35.5	0.71
ALTERNATIVE CARRIERS	23.3	174.6	130.5	8.1	0.0	40.3	0.83
ALUMINUM	8.3	15.8	154.1	18.6	19.8	22.6	0.77

Industry	Avg 5Yr PIP / Sales	Avg 5Yr ROE	Avg Debt / Equity	Avg 5Yr Rev Growth	Avg 5Yr EPS Growth	Avg PE	Avg EPS Pred (R2)
FOOTWEAR	9.1	15.4	25.5	12.5	17.8	21.5	0.74
FOREST PRODUCTS	9.0	11.1	74.5	7.2	21.5	24.4	0.77
GAS UTILITIES	8.5	29.6	367.5	16.7	12.2	22.0	0.66
GENERAL MERCHANDISE STORE	6.1	17.6	52.9	9.6	13.4	21.7	0.51
GOLD	24.6	301.2	18.7	11.7	1.5	50.2	0.17
HEALTH CARE DISTRIBUTORS	3.8	4.581.2	29.6	9.1	12.5	62.6	0.68
HEALTH CARE EQUIPMENT	16.3	14.2	36.6	17.7	7.7	87.4	0.61
HEALTH CARE FACILITIES	10.2	14.2	101.7	16.8	8.3	26.0	0.57
HEALTH CARE SERVICES	8.6	15.0	59.0	15.4	10.9	32.7	0.67
HEALTH CARE SUPPLIES	14.4	24.7	21.1	15.9	7.1	37.0	0.59
HEALTH CARE TECHNOLOGY	9.2	28.9	33.0	17.5	6.9	87.2	0.53
Industry	Avg 5Yr PIP / Sales	Avg 5Yr ROE	Avg Debt / Equity	Avg 5Yr Rev Growth	Avg 5Yr EPS Growth	Avg PE	Avg EPS Pred (R2)
HEAVY ELECTRICAL EQUIPMEN	5.5	9.4	54.7	4.5	0.0	88.8	0.51
HIGHWAYS & RAILTRACKS	0.0	0.0	181.1	30.1	0.0	1000.0	0.00
HOME ENTERTAINMENT SOFTWARE	22.0	15.4	33.9	16.0	6.1	45.4	0.28
HOME FURNISHINGS	7.7	20.1	144.2	9.2	5.2	40.3	0.48
HOME IMPROVEMENT RETAIL	10.0	20.2	24.3	12.3	19.0	16.4	0.96
HOMEBUILDING	11.4	19.6	120.2	21.0	19.7	14.2	0.65
HOMEFURNISHING RETAIL	7.1	21.4	25.2	12.2	13.6	43.3	0.66
HOTELS, RESORTS & CRUISE	14.9	34.7	112.5	14.1	8.7	47.0	0.53
HOUSEHOLD APPLIANCES	9.0	17.2	86.8	9.4	9.9	53.5	0.66
HOUSEHOLD PRODUCTS	10.9	31.3	122.3	10.4	13.0	21.5	0.73
HOUSEWARES & SPECIALTIES	9.1	14.7	70.9	14.1	11.3	17.1	0.44

2A = 15.8
2B = 23.8

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Section 2—(management)

- Examine other Industry Averages

<http://finance.yahoo.com/q/co?s=BBBY>

DIRECT COMPETITOR COMPARISON

	BBBY	Pvt1	TGT	WMT	Industry
Market Cap:	11.28B	N/A	52.57B	196.44B	264.09M
Employees:	33,000	19,000 ¹	N/A	N/A	1.90K
Qtrly Rev Growth (yoy):	11.80%	N/A	16.30%	9.90%	10.60%
Revenue (ttm):	6.31B	2.70B ¹	59.49B	344.99B	660.80M
Gross Margin (ttm):	43.13%	N/A	32.58%	23.43%	35.88%
EBITDA (ttm):	1.07B	N/A	6.57B	25.96B	16.84M
Oper Margins (ttm):	14.02%	N/A	8.52%	5.94%	-2.36%
Net Income (ttm):	586.32M	N/A	2.79B	12.18B	-1.28M
EPS (ttm):	2.040	N/A	3.209	2.707	N/A
P/E (ttm):	19.51	N/A	19.05	17.47	19.89
PEG (5 yr expected):	1.13	N/A	0.97	0.99	1.13
P/S (ttm):	1.78	N/A	0.87	0.56	0.39

Pvt1 = Linens 'n Things, Inc. (privately held)
 TGT = Target Corp.
 WMT = Wal-Mart Stores Inc.
 Industry = Home Furnishing Stores
¹ = As of 2005

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URLs? How do we do that?

- Insert URLs in ICLUBcentral software
- See data for the company open
 - Projected 5 year growth (ACE)
 - Quarterly Estimates (ACE)
 - Compare—Competitors
 - Compare—Industry averages
 - Ownership—Insiders and Institutions

Time out from the analysis

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Welcome to Bobsite

---- a personal e-site

What's this site about?
 Recommended Reading
 Analyze Ann Rpt-Mfg
 Quick Analysis form
 Annualize Your Portfolio
 Analyze Ann. Rpt--Banks
 Follow Your Stocks form
 Help for Club Officers
 Miscellaneous Tools- Files
 Class Handouts
 Helpful Web Sites
 Home
 Email Bob

Who is Bob? I'm a volunteer Director on the Board of **InvestEd, Inc.** a non-profit organization with a goal to help educate investors; a former Director on the BetterInvesting® national Computer Group Advisory Board, and an Associate Director for the Puget Sound Chapter of BetterInvesting in Seattle (where it rains continuously).

Miscellaneous Tools & Files

If you have a question or comment **email me**. They help me improve the tools provided on the site.

---Bob

NOTICE: The Annual Report Analysis tool has been repaired and data will again download properly. The site used for data changed the method of access. That's been corrected. Download a new copy of the spreadsheet. A Bullish and Benish section has also been added.

New! Check out the **new page** to help analyze your portfolio gain or loss, and compare it to market averages. Two tools have been added. And, Check the **Help for Club Officers** page. A friendly booklet on **Robert's Rules** is available.

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Welcome to Bobsite

---- a personal e-site

What's this site about?
 Recommended Reading
 Analyze Ann Rpt-Mfg
 Quick Analysis form
 Annualize Your Portfolio
 Analyze Ann. Rpt--Banks
 Follow Your Stocks form
 Help for Club Officers
 Miscellaneous Tools- Files
 Class Handouts
 Helpful Web Sites
 Home
 Email Bob

Miscellaneous Tools & Files

Below are help files that might be useful

Useful websites: These websites are useful when using the Guide (SSG) analysis program. Quickly and easily see data concerning the company you have open in the SSG program. Instructions for adding this function are contained on the sheet that is downloaded. Additional descriptive information is below.
Note: The URLs previously were included in a single file. I've separated them to make it more clear as to which group to use and to speed the download.

Useful websites for Toolkit (updated 8-12-08) Download this file if using Toolkit

Useful websites for Stock Analyst and Classic (updated 8-12-08) Download this file if using Stock Analyst or Classic

The URLs are ranked by importance - my opinion of importance at least. They are data sites I find useful. If installed in either Stock Analyst, Classic, or Toolkit they help provide guidance on judgment issues in the SSG for the company currently open in the SSG program. Therefore if you install these URLs, one click of the mouse takes you to the Site and to data for the company you're studying.

Examples: Learn the rate the Analysts think the company will grow in the next five years, compared to the industry and S&P 500; compare competitors and industry averages to your company; observe what Analysts predict the next two quarters of Earnings and Sales will be, and much more . . .

URLs for Toolkit

To use these Sites, open the company you want to study in Toolkit, then activate the URL. The data for that company will appear on your computer screen. (You must be online if using a dial-up modem.)

Highlight the URL, copy (Ctrl-C) then paste (Ctrl-V) them into Toolkit, in the area where it allows URLs to be placed. How?—

Highlight the URL below and press Ctrl-C. Open Toolkit and click on the "Web" icon at the top of the screen, click on "Add a site" and paste the URL (press Ctrl-V). Then type a description or copy and paste the description as well as the URL. I suggest putting them in "Favorites" instead of Companies. You may want to delete the URLs already there, most are outdated.


Note: If you want these to appear at the top of the list of URLs, add a number in front of the description, as is shown below. Those preceded with an asterisk will always be listed first. Highlight the URL and select "Delete" to remove it.

Example of a description: 1 Five year EPS Growth Estimates or 2 Earnings Estimates etc. If there are no URL descriptions that begin with an * they will be sorted by the number in the description.

1 Five year EPS Growth Estimates—ACE from MSN - I normally use these as a limit factor. After establishing the EPS growth for the next 5 years, I look to see if the Analysts Consensus Estimate (ACE) is greater than my estimate. I like to project a little less than the ACE estimates.
http://moneycentral.msn.com/investor/invsb/analyst/earnest.asp?Page=EarningsGrowthRates&Symbol=S*

2 EPS & Sales — Yahoo — ACE — Quarterly and Yearly estimated data for EPS and Sales are available.
 1. Insert the Quarterly data as actual quarterly data and see where they fall on the SSG graph (Part 1), as an aid to predicting your next 5 years trend line.
 2. Enter the Annual data for the next two years as actual annual data and observe if the historical trend continues. Use both EPS and Sales data. These data must be typed into the appropriate area of Toolkit — Click on "Data" then enter the numbers. If you want to save the information save it as another copy of the SSG for.
http://finance.yahoo.com/q/aef?s=S*

URLs Toolkit NSA



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Section 3—(price)

- Determine a Reasonable Price

PEG = Proj PE / Proj EPS Gwth

	A	B	Per Share	Price Earnings Ratio		Per Share	% Payout F=C X 100	% Fl. Yield F=B X 100
				HIGH (A÷C)	LOW (B÷C)			
FY 2006								
1			\$0.74	49.4	26.9	\$0.00	0.0%	0.0%
2	\$37.90		\$1.00	37.9	26.7	\$0.00	0.0%	0.0%
3	\$45.00	\$30.18	\$1.31	34.4	23.0	\$0.00	0.0%	0.0%
4	\$44.43	\$33.88	\$1.68	26.9	20.5	\$0.00	0.0%	0.0%
5	\$46.99	\$34.85	\$1.92	24.5	18.2	\$0.00	0.0%	0.0%
6	TOTAL			51.4	38.7		0.0%	
7	AVG.			25.7	19.3		0.0%	
8	AVERAGE PE			20.1	EPS=\$2.03	RV=89.2		

Proj. RV = 78
PEG = 1.43

Projected Values: PE=17.6 EPS=\$2.31 RV=78.3 EPS Gr=14.0% PEG Ratio=1.43

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Judgment guidelines...

Section 4—(risk)

- Determine the Risk at current price
 - Upside-Downside Ratio
 - Determined by High Price — next 5 years
 - Determined by Low Price — next 5 years

"If the price paid is reasonable there is little risk."

Warren Buffett

4 Proj. P/E [16.17] Based on Next 4 qtr. EPS [2.31] Current P/E Based on Last 4 qtr. EPS [2.03]

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

PE=115

A HIGH PRICE—NEXT 5 YEARS

Avg. High P/E: 25.7 21.0 Estimate High Earnings/Share: 3.91 = Forecast High Price \$: 82.1

B LOW PRICE—NEXT 5 YEARS

(a) Avg. Low P/E: 19.4 15.0 X Estimated Low Earnings/Share: 1.92 1.31 = \$: 19.6

1.5 to 2 X Proj. Gwth

(d) Price Dividend Will Support Present Div. = 0.000 = 0.0

Selected Estimate Low Price: Proj Low Price (less than 52 week low) = 19.6

C ZONING: 82.1 19.6 2.5 15.6 *

Relative Value: 56.8% Proj. Relative Value: 50.9%

5 TOTAL RETURN ANALYSIS

A CURRENT YIELD

Present Full Year's Dividend \$ 0.500 + Current Price of Stock \$ 28.180 = 1.8% Present Yield or % Returned on Purchase Price

B AVERAGE YIELD OVER NEXT 5 YEARS

(Avg EPS Next 5 Years 3.19 X Avg % Payout 24.2 18.2) + Current Price \$ 28.180 = 2.1%

C % COMPOUND ANNUAL TOTAL RETURN

Average Yield 0.9% + Annual Appreciation 24.0% = Compound Annual Total Return 24.9%

D % PROJECTED AVERAGE RETURN

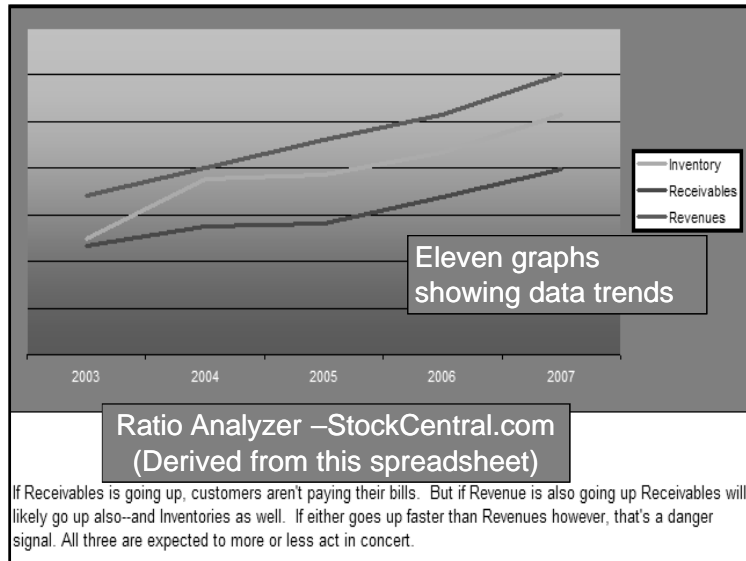
Average Yield 1.1% + Annual Appreciation 18.2% = Projected Average Total Return 19.3%

One more—out of the box

- Annual Report Analysis spreadsheet
- Various ratios—color coded
- Color coded verbiage
- 5 year comparison charts
- Competitor & Industry analysis
- Insider & Institutional ownership
- Insider buys to sells
- Short sellers
- Numerical analysis score
- Bullish and Bearish sentiment

ANALYZING THE ANNUAL REPORT -- automatic data fill version		2007	Intel Corp: Company Report
Type a Ticker Symbol in the blue colored cell to press Enter --		intc	Intel Corp: Company Report
The changes in the paper, the new available information -- Peter Lynch		(Year or report)	
Click here for instructions			
Accounts Receivable	Change -5% OK! - Right direction (Decreasing)	OK!	Right direction (Decreasing)
Days waiting for payment this year --	25 Good - Both Accounts Receivable and Inventories are decreasing		
Days waiting for payment prior year --	28		
Inventory	Change -22% YES! - Right direction (Decreasing)	YES!	Right direction (Decreasing)
Inventory Turnover Days this year --	67 Both Accts Rec. & Inventories are decreasing, that's positive.		
Sales or Revenue	Change 8% Way to GO! (Increasing)	Way to GO!	(Increasing)
Sales to Accts Receivable Ratio	OK (Sales growing faster than Accts Receivable)	OK	(Sales growing faster than Accts Receivable)
Sales to Inventories Ratio	Sales to Inventory ratio is OK (Sales growing faster than Inventories)	OK	(Sales growing faster than Inventories)
Cost of Sales	Change 7% Cost of Sales is increasing but so is Sales	Cost of Sales is increasing	but so is Sales
Plant & Equipment	Change -4% Creation - The investment in PP&E is flat or decreasing	Creation	- The investment in PP&E is flat or decreasing
Long-term Debt	Change 7% Wrong direction (Increasing)	Wrong direction	(Increasing)
Debt to Equity Ratio	Debt to Equity Ratio is OK	OK	Debt to Equity Ratio is OK
Real Interest Coverage	Pre-tax interest interest X times 8.2x Large numbers aren't as useful as small.	8.2x	Large numbers aren't as useful as small.
Gross Profit Margin	This year 48% Prior Year 49% Caution the Gross Margin is decreasing	48%	Prior Year 49% Caution the Gross Margin is decreasing
Number of shares outstanding trend:	Even Right Direction (Decreasing)	Even	Right Direction (Decreasing)
Cash flow Growth	19% Cash flow should increase at the same rate as Sales - or greater	19%	Cash flow should increase at the same rate as Sales - or greater
Free Cash Flow Margin	13% Everything over 10 is Great - Substantially over 10 is EXCELLENT	13%	Everything over 10 is Great - Substantially over 10 is EXCELLENT
Return on Assets (ROA)	12.2% This measurement of profitability includes debt--an important factor	12.2%	This measurement of profitability includes debt--an important factor
Return on Equity (ROE)	16.3% This measurement of profitability does not include debt--an important factor	16.3%	This measurement of profitability does not include debt--an important factor
Earnings Coverage Ratio	1.8x The higher the number the higher the quality of Earnings.	1.8x	The higher the number the higher the quality of Earnings.

Compare --Net Income with Net Cash		38%	19%	Drops - Net Cash is growing at a slower rate than Net Income	Danger
Cash Position per Share:	\$2.30 per share in cash beyond debt.			This represents actual cash included in the price of each share of stock. If significant, perhaps	Good
LT Debt to Equity Ratio:	6% debt to equity.			Long-term Debt is in normal range	Very Good
Quick Ratio:	2.4 to 1			About 1:1 is normal. The higher the better.	
Current Ratio:	2.8 to 1			About 2:1 is normal for manufacturer. 1:1 normal for Utilities.	
Inventory Turnover Ratio:	6.8 to 1			The higher the ratio the better. Indicates quality merchandise & proper pricing.	
Plant Turnover Ratio:	2.3 to 1			The higher the ratio the better. If plant or equipment are added, sales should increase.	
Price to Sales Ratio:	5.334			The lower the amount the better. This is the amount invested for each dollar of sales. This ratio is industry sensitive.	
NOTE: If there are large changes in year to year results, check to see if acquisitions have skewed the results of the analysis. © Copyright 2000-2008 Bob Adams					
COMPETITORS TO: Intel Corp: Company Report					
			Insider and Institutional percentage ownership		
			Insider Ownership 0.7%		
			Capitalization: Large Cap		
			Institutional Ownership 0.6%		
			Short Interest 4.0%		
			Short Interest as a percentage of the float 4.0%		
			Ratio of Buyers to Sellers: 0.84		
			Numerical Result of this analysis: 55		



***Let's analyze a company—
using the outside resources***