



A Few Things NOT TO DO on the SSG

Small Talk Educational Presentation
February 16, 2016
Ralph Futch

Don't buy or sell without knowing and explaining why

Know what you own

Know what it does

Know why you own it

Use some formal process in completing your company evaluation -
SWOT (Strengths, Weaknesses, Opportunities, Threats)
Calibration Worksheet
First Cut

Take the time to understand what the
company does before you buy it!

Don't rely on a single analyst

Use 3 or more, then discount

Where can you find *different* forward projections?

Finance.Yahoo.com (Reuters)

Nasdaq.com (Zachs Investment Research)

Value Line

Morningstar

Standard and Poors'

Other analysts provided by your broker

Company – conference calls, investor presentations, 10Q, 10K,

Identify the source

From Finance.yahoo.com -

Fundamental company data provided by [Capital IQ](#). Historical chart data and daily updates provided by [Commodity Systems, Inc. \(CSI\)](#).

International historical chart data, daily updates, fund summary, fund performance, dividend data and Morningstar Index data provided by [Morningstar, Inc.](#) International historical chart data, daily updates, fundAnalyst estimates data provided by [Thomson Financial Network](#). All data provided by Thomson Financial Network is based solely upon research information provided by third party analysts. Yahoo! has not reviewed, and in no way endorses the validity of such data. Yahoo! and ThomsonFN shall not be liable for any actions taken in reliance thereon. Copyright © 2010 [Briefing.com](#). All rights reserved.

Sources from the On-line SSG

File	Data	Print	Research	Tools	Close	CoreSSG
BetterInvesting						
Company Website						
Analyst Estimate				MarketWatch Analyst Estimates		
Company Summaries				Morningstar Analyst Consensus Estimates		
Filings and Transcripts				NASDAQ Analyst Summary		
Financial Statements				Reuters Analyst Consensus Estimates		
Key Statistics				Yahoo Analyst Estimates		
Price Charts				Zacks Detailed Estimates		

Company sources

From the Investor Relation
page of Gentex, Inc.

Investors

- Annual Reports and Proxy Statements
- Contact
- Corporate Governance
- Directors/Officers
- Dividends/Splits
- Electronic Enrollment
- Media Center
 - ▶ News Alerts
 - ▶ Press Releases
- Presentations
- Safe Harbor Statement
- SEC Filings
- Videos
- Webcast Archives

Don't use old data.

- Check the data date used on your SSG

REFRESH
Data Price

Growth Analysis

FY 2015 Q4 (Ended 12/31/2015)
RECENT QUARTERLY FIGURES

EARNINGS

Company	Gentex	Price Date	02/04/16
Study by	ReF	Data Date	01/28/16
Sector	Consumer Cyclical	Last Judgment	02/10/16

On-line Tool

Recent Quarterly Figures

FY2015 Quarter Ending (12/15)



Price/Date:	13.52	02/09/16
High/Low Price:	18.80	12.93

Don't enter manually always import data

- Entering data manually not available with on-line SSG
- Why not enter manually?
- When earnings are restated- Morningstar

Income Statement	Balance Sheet	Cash Flow
Statement Type	Data Type	Period
Annual ▼	As of Reported ▼ As of Reported Restated	5 Years ▼
Fiscal year ends in December USD in Million except per share		2010-12

Don't accept stocks that lack sufficient growth for their size

- What is the desired growth?
 - Small companies (revenues < \$500m) >12%
 - Medium sized companies (revenues >\$500m < \$5b) 7-12%
 - Large companies (revenues > \$5b <\$15b) 5-7%
 - Mega companies (revenues > \$15b)

Don't accept stocks that don't fit your portfolio guidelines

- Do you have guidelines?
 - Diversification – by sector / industry
 - Diversification – by size
 - Small, Medium, Large
 - Diversification – by percent of portfolio

For information about portfolio management, look for the recording from the 2015 annual meeting on the rmchapter.org website – located in the Recordings section

Portfolio Management class is March 12, 2016

Don't be overly optimistic on judgment points

Understand what the U/D means

- Judgment needed on:
 - Sales growth
 - Earnings growth
 - High P/E
 - Low P/E
 - Low price

U/D = Upside/Downside
aka R/R = Reward/Risk

To be continued....

Referenced forms posted at:
rmchapter.org in the Forms & Docs section

SWOT Template

Calibration Worksheet

First Cut Template

10 Things NOT TO DO on the SSG



A Few Things NOT TO DO on the SSG continued...

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Don't forget to compare to industry/ sector/ S&P averages.

- Is your company equal to or better than the industry / sector / S&P averages?

Example from
Yahoo. Finance
2.15.16

Focus on longer
term

Growth Est	GNTX	Industry	Sector	S&P 500
Current Qtr.	7.70%	9.30%	112.40%	2.40%
Next Qtr.	11.50%	44.90%	44.90%	12.80%
This Year	8.30%	9.40%	51.20%	3.00%
Next Year	8.50%	15.30%	7.20%	9.10%
Past 5 Years (per annum)	18.98%	N/A	N/A	N/A
Next 5 Years (per annum)	12.03%	12.26%	12.89%	4.88%
Price/Earnings (avg. for comparison categories)	11.53	9.19	12.99	23.02
PEG Ratio (avg. for comparison categories)	0.96	1.41	0.99	1.37

Don't forget the missing 20%.

- The SSG only provides about 80% of the information about a company, and all historic information is backward looking
- For information about where the company is going
 - your forward projections and key judgements – you need to know about the company, the industry, and the economy in order to make those judgments
- Keep current with news about your company, the industry it is in, and the economy

Don't accept dips in sales without investigation.

- Why are revenues declining?
 - General slowdown for all companies in industry/ sector?
 - Loss of sales to competitor?
 - Bad news? (recalls, penalties, improper behavior)
 - Dying industry?

Don't ignore management evaluation. (Section 2)

- Is management doing it's job?
 - Is percent of pre tax profit (PTP) even or increasing?
 - Is percent Return on Equity (ROE) even or increasing?
 - Is debt to equity even or declining?
 - If increasing, was there a recent acquisition? This may be a temporary situation and add to the abilities of the company to continue to grow.

[Video](#)

Don't accept declining profit margins.

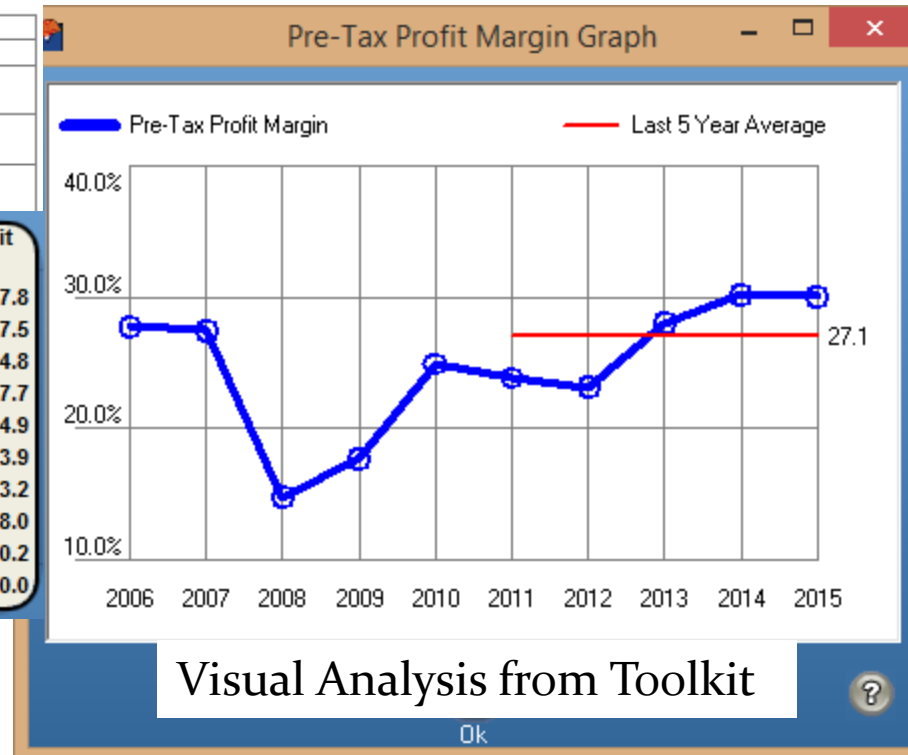
Evaluate Management												
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	5 Yr Avg	Trend
% Pre-Tax Profit on Sales	27.8%	27.5%	14.8%	17.7%	24.9%	23.9%	22.7%	28.0%	30.2%	30.0%	27.0%	UP
% Earned on Equity	15.0%	15.2%	8.8%	8.8%	15.6%	16.7%	14.9%	17.9%	19.3%	18.8%	17.5%	UP
% Debt To Capital	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	17.1%	14.5%	11.6%	8.6%	UP

	2011	2012	2013	2014	2015	5 YEAR AVG.	TREND UP / DOWN
A % Pre-tax Profit on Sales	23.9	23.2	28.0	30.2	30.0	27.1	UP
B % ROE (Beginning Yr)	18.2	17.2	19.7	22.8	21.2	19.8	UP
C % Debt to Equity	0.0	0.0	21.3	17.3	13.3	17.3	DOWN

Pay attention to the trend
Should be Up or Even

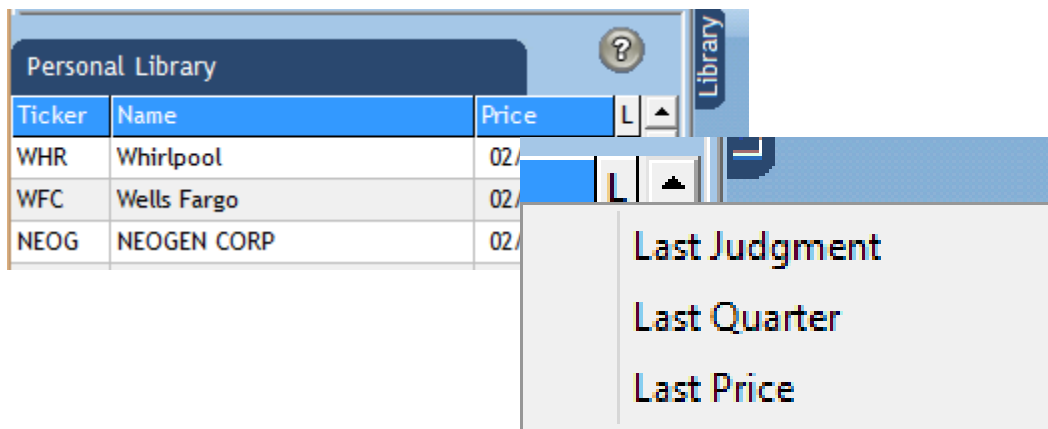
IF Down, must investigate to find
out why, and if the effect is
temporary or permanent -

% Pretax Profit Margin (2A)	
2006	27.8
2007	27.5
2008	14.8
2009	17.7
2010	24.9
2011	23.9
2012	23.2
2013	28.0
2014	30.2
2015	30.0



Don't buy and forget

- SSG judgments should be reviewed and updated quarterly as earnings reports come out



The screenshot shows a web application interface with a table titled 'Personal Library'. The table has three columns: 'Ticker', 'Name', and 'Price'. The 'Price' column header has a dropdown menu open, showing three options: 'Last Judgment', 'Last Quarter', and 'Last Price'. The table contains three rows of data: WHR (Whirlpool), WFC (Wells Fargo), and NEOG (NEOGEN CORP). The 'Price' column shows partial values '02/' for each row.

Ticker	Name	Price
WHR	Whirlpool	02/
WFC	Wells Fargo	02/
NEOG	NEOGEN CORP	02/

Toolkit has the ability to sort SSG's in your library by
Last Judgment
Last Quarter
Last Price

Use the sort feature to identify which stocks that need updating

Don't accept default judgments.

- Don't just plug in the numbers, understand why you are using information or a judgment----**THINK**
- NEVER
- NEVER
- NEVER
- Accept the default judgments without doing your own analysis
- **YOU, and only YOU, are responsible for the judgments on the SSG.**



Back to rule one

Don't buy or sell without knowing and explaining why

Know what you own

Know what it does

Know why you own it

Take the time to understand what the
company does before you buy it!



Thank you