

Small Talk April 19, 2016

13

What Size Company Is It? New Revenue Guidelines

Small \leq \$1 Billion
Medium $>$ \$1 Billion and \leq \$10 Billion
Large \Rightarrow \$10 Billion and $<$ \$50 Billion
Mega $>$ \$50 Billion

14

What Size Company Is It? Sales Growth Guidelines

Small $>$ 12%
Medium \Rightarrow 7% and $<$ 12%
Large \Rightarrow 5% and $<$ 7%
Mega \Rightarrow 5%

15

Survey

SSG Preference in presentation
Toolkit 6
Core SSG (On-Line Tool)
SSG Plus (On-Line Tool)
No SSG needed

16

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

Small Talk Educational Presentation
April 19, 2016
Ralph Futch

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?

Growth Est	HAIN	Industry	Sector	S&P 500
Current Qtr.	8.90%	35.10%	65.60%	4.00%
Next Qtr.	7.30%	33.30%	53.80%	9.50%
This Year	7.40%	7.40%	-19.10%	0.80%
Next Year	9.90%	13.80%	9.90%	12.70%
Past 5 Years (per annum)	26.24%	N/A	N/A	N/A
Next 5 Years (per annum)	11.00%	14.60%	13.54%	5.19%
Price/Earnings (avg. for comparison categories)	20.73	14.96	19.14	11.17
PEG Ratio (avg. for comparison categories)	1.88	2.30	2.48	2.22

Example from Yahoo. Finance - 4.4.16

Focus on longer term estimates

18

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

19

Small Sized Companies

The 20% might be from the SSG

The 80% from your own research

20

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?

21

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.

22

Don't accept declining profit margins

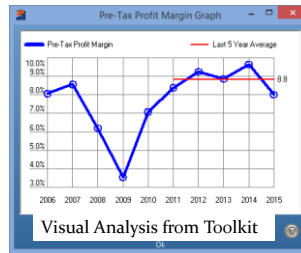
Evaluate Management	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	5 Yr Avg	Trend
% Pre-Tax Profit on Sales	8.1%	8.6%	6.2%	-1.5%	6.3%	8.4%	9.7%	8.9%	9.6%	8.0%	8.9%	DOWN
% Earned on Equity	6.0%	6.9%	5.3%	-3.6%	3.8%	6.3%	9.8%	10.8%	9.2%	10.2%	9.2%	UP
% Debt To Capital	19.8%	23.7%	29.3%	26.9%	22.7%	21.0%	28.8%	35.7%	34.9%	32.3%	30.5%	UP

C % LT Debt to Equity	24.4	31.1	39.9	37.9	30.1	26.1	40.6	58.7	49.7	49.5	44.9	UP
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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 -

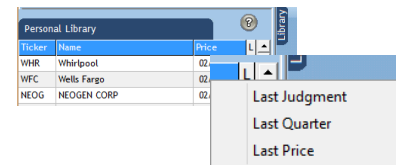
% Pretax Profit Margin (2A)	
2006	8.1
2007	8.6
2008	6.2
2009	3.5
2010	7.1
2011	8.4
2012	9.3
2013	8.9
2014	9.6
2015	8.0



23

Don't buy and forget

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



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 need updating

24

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
- NEVER Accept the default judgments without doing your own analysis
- **YOU, and only YOU, are responsible for the judgments on the SSG.**

25

Back to rule one

26

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!

27

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

28

Stock Presentation

Hain Celestial (HAIN)

Presented by: Shirley Pfister

Survey:

Have you completed
a study on this company?

29

Thank you

30