



PROFIT MARGIN ANALYSIS KEY TO IDENTIFYING QUALITY COMPANIES

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DISCLAIMER:



- **All stock references are meant to be used for educational purposes.**
- **No recommendation for purchase or sale is intended or implied.**
- **Please perform your own due diligence.**

PROFIT

Profit is the money that's left after a company sells its products or services and pays all its costs of doing business



PROFIT MARGIN

- The profit margin is the percentage of the company's profits compared with its sales.
- (sometimes known as net profit margin)
- The higher the profit margin, the more the company is earnings on each dollar of sales.



PRE-TAX PROFIT MARGIN

- The pre-tax profit margin may be best understood as a measure of management's ability to control costs, thus maximizing the amount it earns on each dollar of sales.

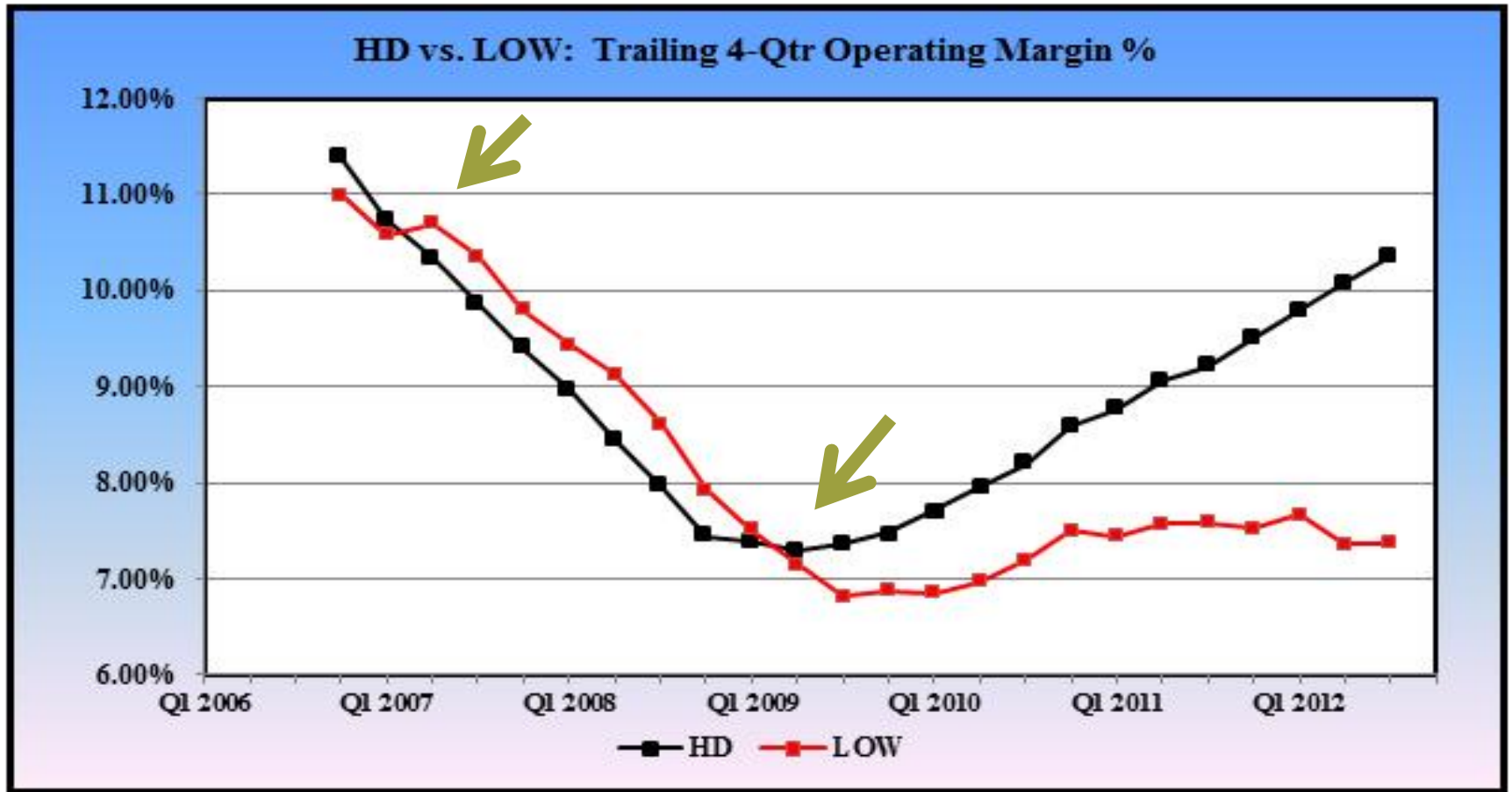


COACH

PROFIT MARGINS %	COMPANY	INDUSTRY	S&P 500
Gross Margin	72.76	46.57	38.99
Pre-Tax Margin	31.26	15.94	17
Net Profit Margin	21.31	11.31	12.48
5Yr Gross Margin (5-Year Avg.)	73.1	49.3	38.2
5Yr Pre Tax Margin (5-Year Avg.)	32.4	16.3	15.4
5Yr Net Profit Margin (5-Year Avg.)	21.4	11.5	11.1

(Source: MSN Money)

HOME DEPOT & LOWES



PROFIT MARGIN & EPS

- Calculate EPS Growth by Using Preferred Procedure

	Defaults	Judgments	Result
Projected 5 Year Sales Growth Rate (Your Forecast):	12.0%	<input type="text" value="12.0"/>	8,176.7
Less Expenses (5 Yr Avg % Pre-Tax Profit Margin):	34.1%	<input type="text" value="32.0"/>	-5,560.1
Less Taxes (Last Yr. Tax Rate):	32.3%	<input type="text" value="32.3"/>	-845.1
Less Preferred Dividends (Current Pref'd Div):	0.0	<input type="text" value="0.0"/>	0.0
Projected 5 Yr Total Earnings:			1,771.4
Divided by Shares Outs. (Current Shares. Outs.(M):	287.6	<input type="text" value="287.6"/>	6.16
5 Year Compound Annual EPS Growth Rate:			12.9%

- Adding Judgment to Your SSG Series – Better Investing October 2012 class

PROFIT MARGINS & EPS

Calculated EPS Results

	Est. Sales	Est. Profit Margin	Calc. EPS
Low	12%	30.0%	11.4%
	12%	31.0%	12.2%
Medium	12%	32.0%	12.9%
	12%	33.0%	13.6%
High	12%	34.1%	14.3%

Increasing profit margins > Increases EPS growth

RETAIL SPECIAL - HANDBAGS



RETAIL SPECIAL – HANDBAGS 5.6

Vera Bradley (VRA)							02/28/13
2006	2007	2008	2009	2010	2011	5 YEAR AVG.	TREND UP / DOWN
			15.0	14.1	20.6	16.6	UP

**535 M
Sales**

Michael Kors Holdings (KORS)							02/27/13
2006	2007	2008	2009	2010	2011	5 YEAR AVG.	TREND UP / DOWN
			8.5	17.1	19.4	15.0	UP

**2 B
Sales**

Coach (COH)							01/22/13
2007	2008	2009	2010	2011	2012	5 YEAR AVG.	TREND UP / DOWN
39.6	37.6	30.2	31.9	31.3	31.6	32.5	DOWN

**5 B
Sales**

AIR TRANSPORT - LOGISTICS



AIR TRANSPORT IND. AVG. PROFIT MARGIN 4.5

Echo Global Logistics (ECHO)						02/04/13	
2006	2007	2008	2009	2010	2011	5 YEAR AVG.	TREND
-0.8	3.0	2.4	1.8	3.1	3.1	2.7	UP / DOWN
							EVEN

**773 M
Sales**

Expeditors International (EXPD)						02/27/13	
2006	2007	2008	2009	2010	2011	5 YEAR AVG.	TREND
8.6	8.6	8.9	9.8	9.5	10.4	9.4	UP / DOWN
							UP

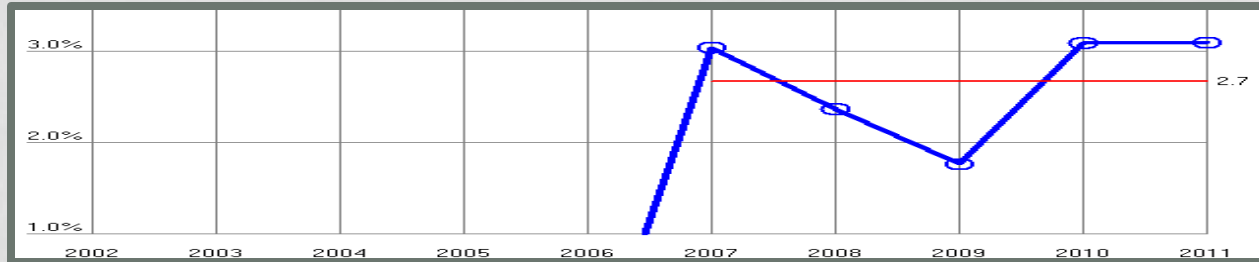
**6 B
Sales**

CH Robinson Worldwide (CHRW)						02/28/13	
2007	2008	2009	2010	2011	2012	5 YEAR AVG.	TREND
7.2	6.7	7.7	6.7	6.7	8.4	7.3	UP / DOWN
							UP

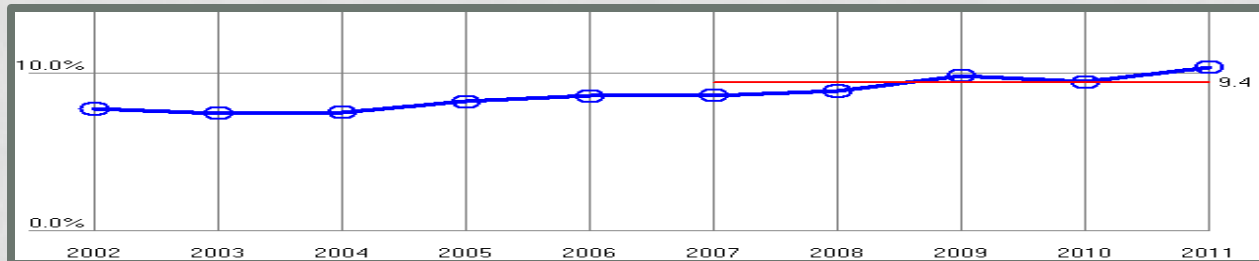
**11 B
Sales**

AIR TRANSPORT IND. AVG. PROFIT MARGIN 4.5

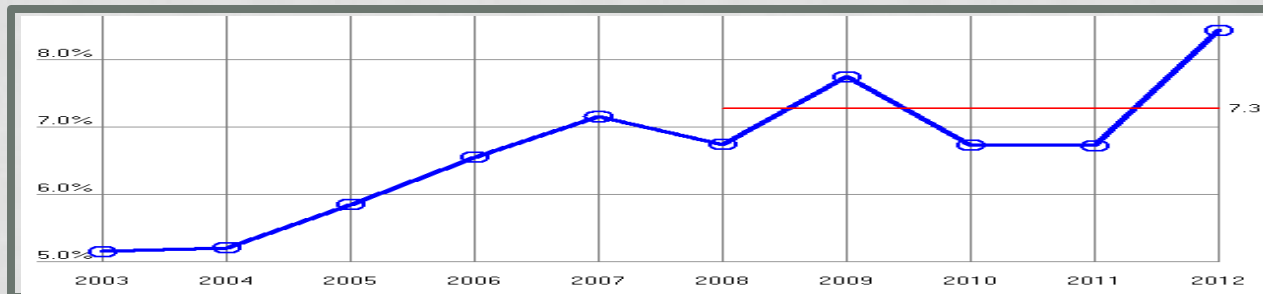
ECHO



EXPD



CHRW



MEDICAL SERVICES – LAB. SERVICES



MEDICAL SERVICES IND. AVG. PROFIT MARGIN 5.6

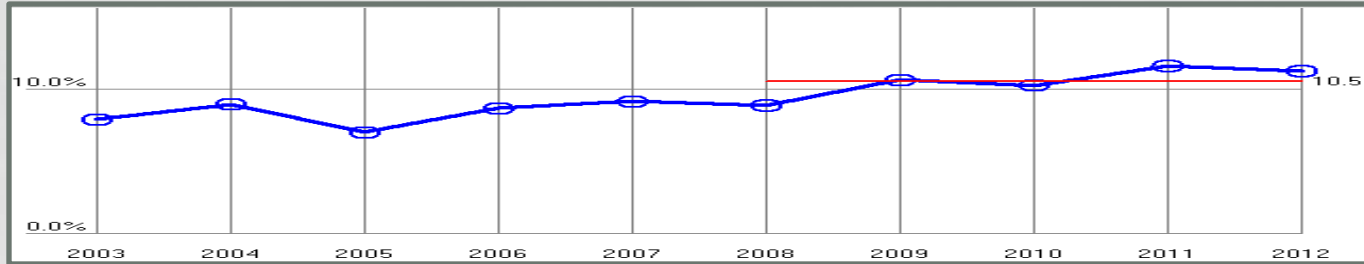
Bio-Reference Labs (BRLI)						02/19/13	
2007	2008	2009	2010	2011	2012	5 YEAR AVG.	TREND UP / DOWN
9.1	8.9	10.6	10.3	11.6	11.3	10.5	UP

Laboratory Corporation (LH)						02/27/13	
2007	2008	2009	2010	2011	2012	5 YEAR AVG.	TREND UP / DOWN
21.0	18.0	19.1	18.5	17.1	17.1	18.0	DOWN

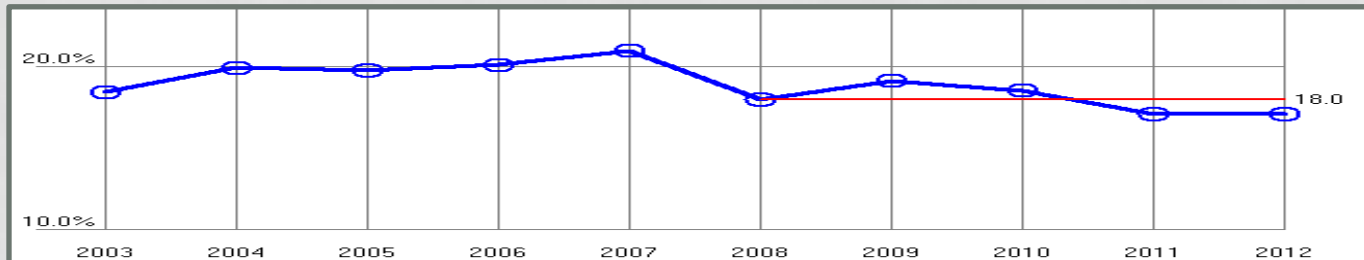
Quest Diagnostics (DGX)						02/27/13	
2007	2008	2009	2010	2011	2012	5 YEAR AVG.	TREND UP / DOWN
13.6	14.1	16.5	16.1	11.4	14.5	14.5	EVEN

MEDICAL SERVICES – LAB. SERVICES

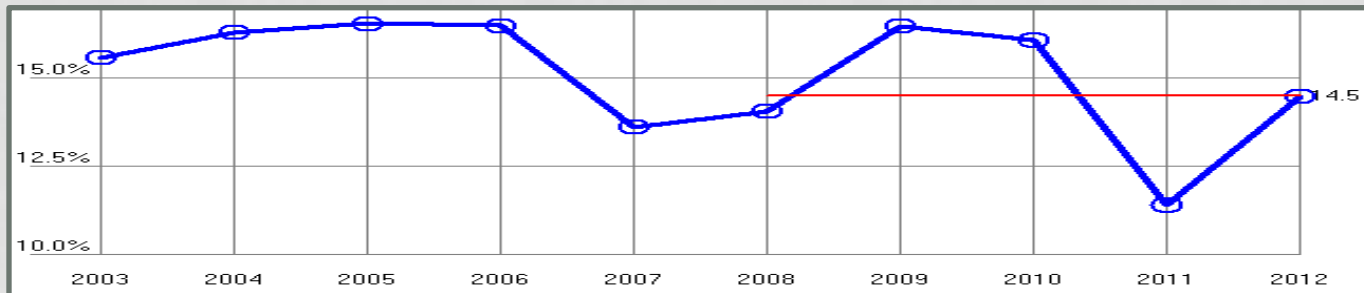
BRLI



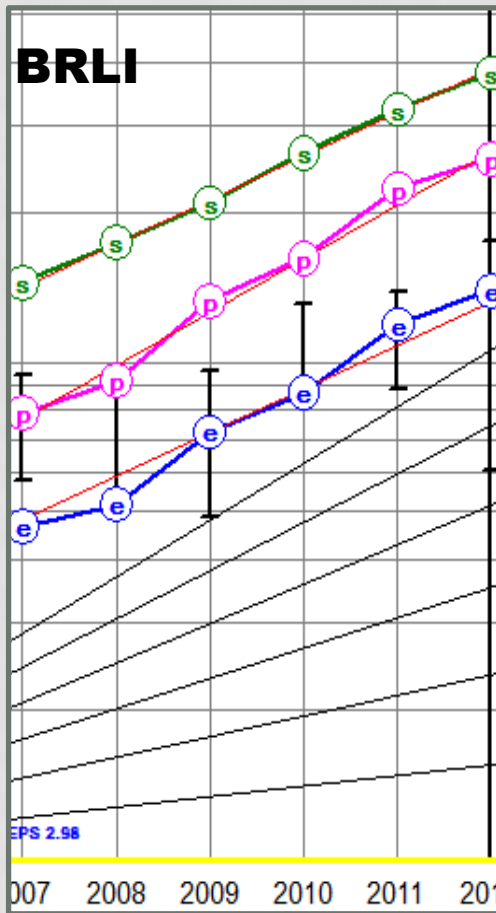
LH



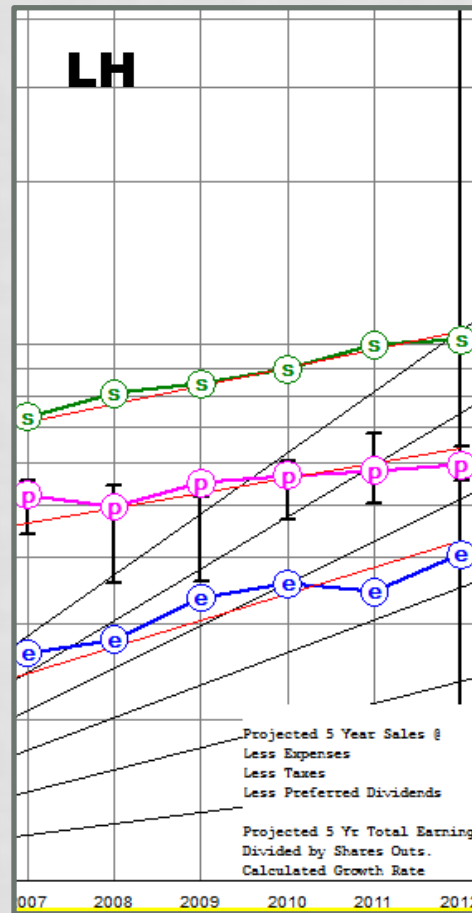
DGX



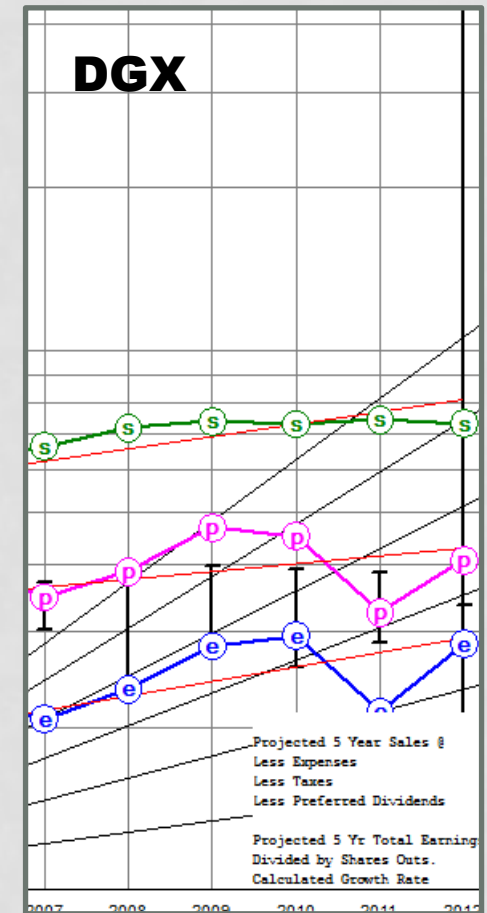
MEDICAL SERVICES – LAB. SERVICES



Sales 700M
Growth - mid-teens



Sales 5.6B **Growth -**
Low single digit



Sales 7.5 B – flat
to declining slightly

SMALL COMPANIES

- **A small, growing business may choose to give up some profits now in return for a greater market share or potential for increased returns in the future.**

- - Doug Gerlach, *SmallCap Informer*,
September 2012





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