

Fundamental analysis form

Key Questions:

Is the management team well-suited to lead the company?

What is the market outlook for the company? Is it in a thriving or declining industry?

Does the company seize or miss opportunities?

How well are the company's products or services performing?

Is the company well-positioned for the future?

Is the company financially stable?

Debt-to-Equity Ratio:

Description: Shows the proportion of debt a company uses to finance its assets. High levels can indicate high risk but may be industry-specific.

Healthy Value: A ratio below 1 is generally considered good.

Formula: Debt-to-Equity Ratio = Total Debt / Total Equity

Is the company's market share increasing or decreasing?

What are the key revenue streams for the company?

Free Cash Flow:

Description: Reflects a company's financial flexibility.

Healthy Value: Positive free cash flow is considered healthy.

Formula: $\text{Free Cash Flow} = \text{Operating Cash Flow} - \text{Capital Expenditures}$

How competitive is the company in its market?

Earnings Before Interest and Taxes (EBIT):

Description: Gives an idea of a company's earning potential.

Healthy Value: A positive EBIT is healthy.

Formula: $\text{EBIT} = \text{Revenue} - \text{Operating Expenses}$

Key Financial Metrics and Formulas:

Price-to-Earnings (P/E) Ratio:

Description: Measures stock valuation.

Healthy Value: Between 15 and 25.

Formula: $P/E \text{ Ratio} = \text{Stock Price} / \text{Earnings Per Share (EPS)}$

Price-to-Book (P/B) Ratio:

Description: Compares market value to book value.

Healthy Value: Under 3 is usually good.

Formula: $P/B \text{ Ratio} = \text{Stock Price} / \text{Book Value Per Share}$

Return on Assets (ROA):

Description: Measures asset efficiency.

Healthy Value: Above 5% is good.

Formula: $ROA = \text{Net Income} / \text{Average Total Assets}$

Return on Equity (ROE):

Description: Measures profitability from a shareholder perspective.

Healthy Value: Above 15% is good.

Formula: $ROE = \text{Net Income} / \text{Average Shareholders' Equity}$