Research

Investor Information

Call the companies public relations department and request that they send you an investor’s information packet and marketing materials. Visit the company’s website.

Financial Statements

Read the three most recent 10-Ks and the three most recent 10-Qs. Focus on the notes to the financial statements.

Conference Calls

Listen to the companies conference calls. Lexis Nexis occasionally has full transcripts.

Online Research

Search Lexis Nexis for articles on the executive officers and their past employers over the last ten years. Run the search in the business news, local news, and court filing sections. Run similar searches in Google. Make a timeline with this information.

Value Added

Getting an Edge

The purpose of this investment research is to get an edge. Try to look for some of the following misperceptions in the public market.

- Focus on the wrong metrics or events
- Poor understanding of the business model
- Over optimistic view of the business’s economics or financial situation
- Industry is not as healthy as believed

Interviews

Interview and maintain a detailed contact list of the following:

- Competitors
- Suppliers
- Customers
- Investors (present and past)
- Partners
- Sellers
- Employees
- Management
- Consultants
- Head hunters
- Rating Agencies
- Industry Groups
**Interviews**

- Try the product or service
- Visit stores
- Attend trade shows
- Compare prices

**Red Flags**

1. Sell-side analyst going against the crowd
2. Sell-side analysts’ list substantial risks
3. Large short-interest
4. Management fighting the shorts
5. Change in the wording of risk factors, analyst discussion, or auditor’s statement
6. Stock is followed by smart short-sellers or reporters
7. Executives departures
8. Message board activity
9. Complicated financial transactions
10. Variations between cash flow from operations and net income
11. Rollup strategies
12. Failure to deliver old press releases
13. Officer involvement in fraud and bankruptcy disclosed in proxy
14. Change in auditors
15. Thick investor packages
16. CEO would not sound smart if his industry was going downhill
17. Management is too easy to access
18. Abuse of press releases
19. Poor debt analysis
20. Cute ticker symbols
21. Vendor financing
22. Lawsuits
23. Financials Postponed
24. Decreasing amounts of disclosure
25. Change in reporting metrics
26. Restatement
27. Dividend cut

**Valuation**

**Discounted Cash Flow**

Build a discounted cash flow model for the company’s free cash flow for the next five years. Focus on understanding the financials and prove a point with your model.

**ROIC vs. WACC**

Analyze the company’s return on invested capital over the past few years and compare this to the company’s weighted average cost of capital.

**CFFO vs. Net Income**

Understand and explain any variation in the difference between cash flow from operations and net income that have occurred over time.