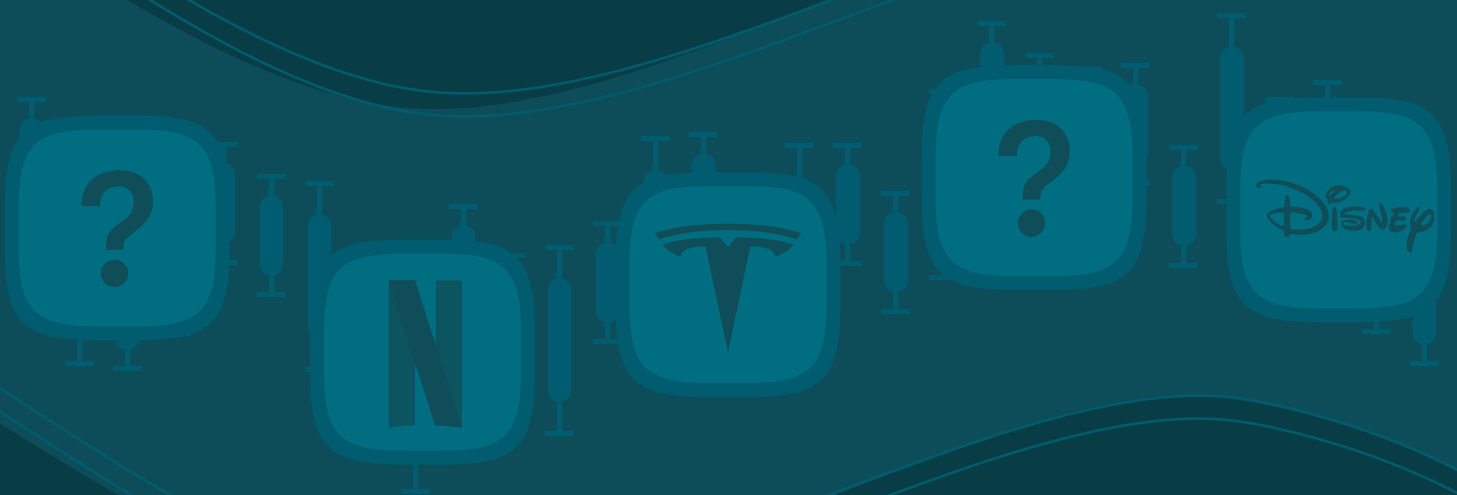




Stock Picking Checklist





How To Use This Checklist

As you work through each lesson of the course, use this checklist to filter down the companies in your own shortlist and see how they measure up against the criteria we're looking at.

There are four main parts to this checklist:

- First Look
- Left Brain
- Right Brain
- Other Considerations

First Look

This is where you take a quick assessment of a company on your shortlist to see if it fulfills our five basic questions.

Left Brain & Right Brain

This is where the main ten-point checklist comes into play. In these two sections, you will be asked to assess your company from a quantitative (left-brain) and a qualitative (right-brain) point of view.

Under each of the ten points, you will find some leading questions that will help to direct you towards the things that you should be looking out for. Use these and the course videos to make notes about how the company compares to each consideration.

At the end of each point, you will also find a traffic light system. This allows you to rate how the company compares — green for good, orange for ok, red for bad.

You can then tot your total number of green, orange, and red lights up at the end to get a more complete picture of the company from both the left and right sides of the brain.

Other Considerations

These are the final questions you should ask yourself before deciding whether to invest or not.

Not all of these questions might be relevant to you right now, but by challenging yourself to answer them, you can make your final decision on whether this company is a good investment opportunity or not.

First Look

Stock you are assessing:

Is this a publicly-listed company?

What market or exchange is it listed on?

What is its current market cap?

Small Cap
<\$2 Billion

Medium Cap
\$2-\$10 Billion

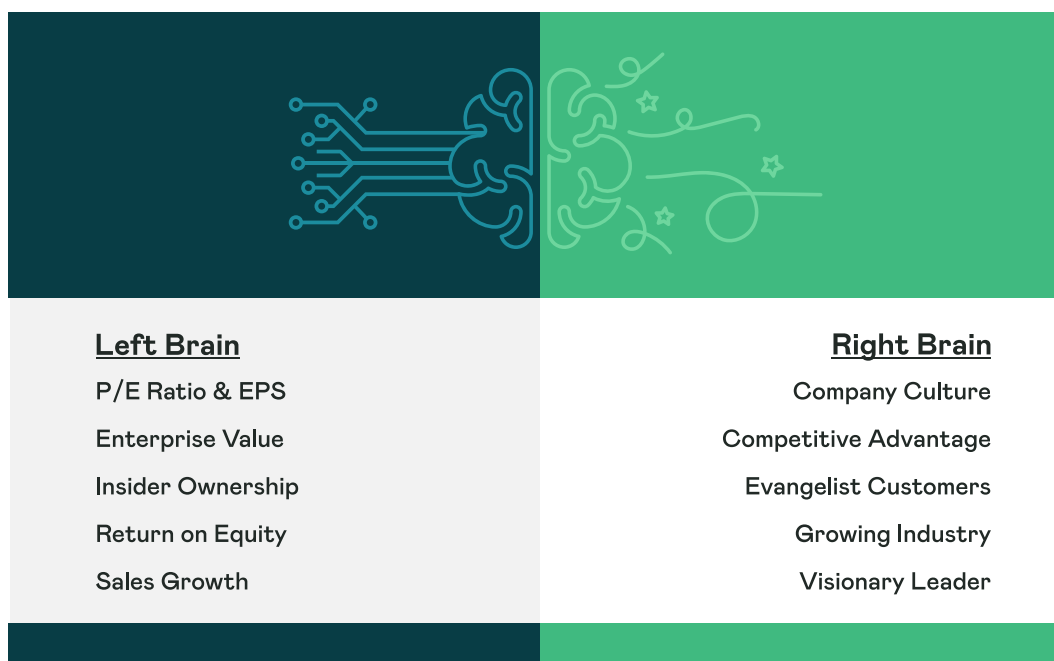
Large Cap
\$10-200 Billion

Mega Cap
>\$200 Billion

How has its stock price performed historically? How has the stock price performed recently — is it trending up or down?

What does the company do and what specific industry does it operate within?

The Ten-Point Checklist



Left-Brain Analysis

① P/E Ratio & EPS

Is the company profitable? Yes No

Is the EPS improving on a quarterly and annual basis? Yes No

How does its P/E ratio compare to industry competitors/similar-sized companies?

Notes

Red Light

Yellow Light

Green Light

② Enterprise Value

Does the company have more cash than debt? Yes No

Is the company's enterprise value (EV) smaller than its market cap? Yes No

How much would it theoretically cost you to buy this company in full now?
(*market cap + debt - cash*)

Notes

Red Light

Yellow Light

Green Light

③ Insider Ownership

Is insider ownership between 5% and 40%? Yes No

Does the size or age of the company
affect the level of insider ownership? Yes No

Are key members of management
consistently buying more company stock? Yes No

Notes

Red Light

Yellow Light

Green Light

④ Return on Equity

Is the company's return on equity (ROE) above 20%? Yes No

How does its ROE compare to industry
competitors/similar-sized companies? Yes No

Notes

Red Light

Yellow Light

Green Light

⑤ Sales Growth

Are sales growing consistently on a quarterly and annual basis? Yes No

Is this company affected by seasonal sales cycles or one-off events? Yes No

How does sales growth compare to industry competitors/similar-sized companies?

Notes

Red Light

Yellow Light

Green Light

Right-Brain Analysis

⑥ Company Culture

Does the company appear to act with integrity, both towards its customers and society at large? Yes No

Have there been any scandals associated with the company or its management? Yes No

Do its employees rank it highly on Glassdoor? Yes No

Notes

Red Light

Yellow Light

Green Light

⑦ Competitive Advantage

Does this company have a distinct competitive advantage?
(First mover advantage, Brand, Patents or trademarks, Industry complexity, Technological advantage)

Red Light

Yellow Light

Green Light

⑧ **Evangelist Customers**

Do this company's products have good reviews? Yes No

Are there online communities that advocate its products/services? Yes No

Have your friends or family recommended this company's products/services to you? Yes No

Notes

Red Light

Yellow Light

Green Light

⑨ **Growing Industry**

Is the company in a growing industry? Yes No

What is the total addressable market (TAM) or expected growth of this industry? Yes No

Are there any regulations or risks that may hamper the growth of this industry? Yes No

Notes

Red Light

Yellow Light

Green Light

⑩ **Visionary Leader**

Does this company still have its founding CEO at the helm? Yes No

Do you trust this person to make good decisions with your money? Yes No

Does the current CEO have a track record of building great companies? Has the company stock performed well under the current CEO's tenure?

Notes

Red Light


Yellow Light

Green Light

Totals

 _____

 _____

 _____

Other Considerations

Is this company within my Circle of Competence?

Has this company reported on at least two quarters as a public entity?

How does this company fit into my wider diversification plans?

Am I committed to holding this company for the long term?

Final Assessment

Is this company a good investment opportunity or not?

