

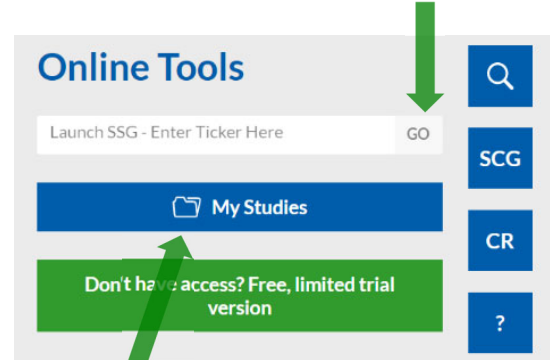
### What Is the Stock Selection Guide?

The Stock Selection Guide (SSG) is BetterInvesting's primary stock analysis tool, which organizes a company's historical financial data to help investors identify the characteristics of quality growth companies and to enable plotting of potential future growth from historical trends. The SSG also organizes historical price and P/E data to help an investor determine a reasonable price to pay for the stock.

The online **CoreSSG** tool presents the core concepts and conservative guidelines of the **Stock Selection Guide** methodology in an easy-to-use, step-by-step format for the new investor.

### 1 How to Access

To open a **new** study, enter a ticker into the box on the member home page, pick from the list and click **GO**



-OR- Click on **My Studies** to go to your library of saved studies.

### 2 How to Open a New Study, Open a Saved Study

Click on the **My Studies** icon to open the Portfolios and Studies page.

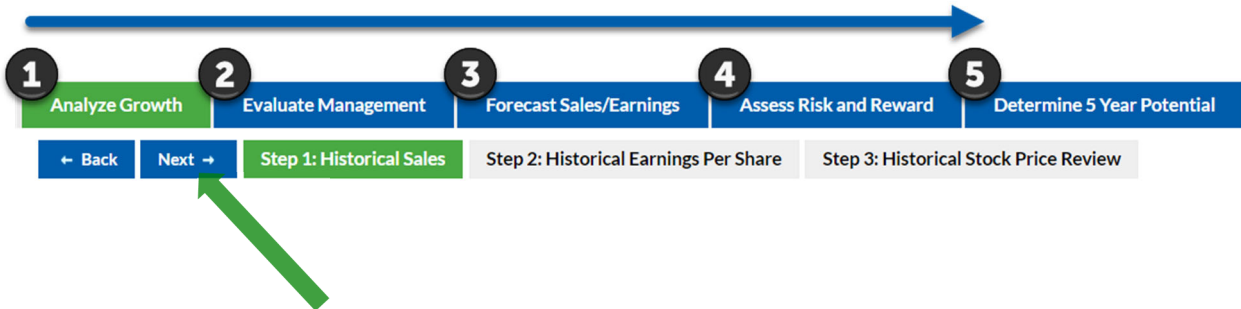
Enter a new ticker and click on **New Study**.

Mouse over an existing study and click to open.

Actions	Company	Ticker	Name	Date Created	Sector	Industry
	Fastenal	FAST	FAST 3/20/24 SSG Tutorial	3/20/2024 4:50:05 PM	Industrials	Industrial Distribution
	Incyte	INCY	INCY 1/30/24 QD Suzi	1/30/2024 2:47:07 PM	Healthcare	Biotechnology
	Snap-on	SNA	SNA 2/1/24 QD Suzi	2/1/2024 11:56:24 AM	Industrials	Tools & Accessories
	Red Violet	RDVT	RDVT 2/12/24 QD Suzi	2/12/2024 3:08:25 PM	Technology	Software - Application
	Applied Mat	AMAT	AMAT 2/15/24 QD	2/15/2024 7:18:54 PM	Technology	Semiconductor Equipment & M
	Eagle Materials	EXP	EXP 2/15/24	2/15/2024 9:24:41 PM	Basic Materials	Building Materials
	Graco	GGG	GGG 2/15/24	2/15/2024 9:28:25 PM	Industrials	Specialty Industrial Machinery
	Semler Scientific	SMLR	SMLR 2/23/24	2/23/2024 3:35:11 PM	Healthcare	Medical Devices
	Costco Wholesale	COST	COST Suzi	7/26/2017 5:24:33 PM	Consumer Defensive	Discount Stores
	Nordson	NDSN	NDSN Suzi	7/29/2018 4:32:19 PM	Industrials	Specialty Industrial Machinery
	Amazon.com	AMZN	AMZN Suzi	1/6/2022 6:35:41 PM	Consumer Cyclical	Internet Retail

### 3 Easy Navigation

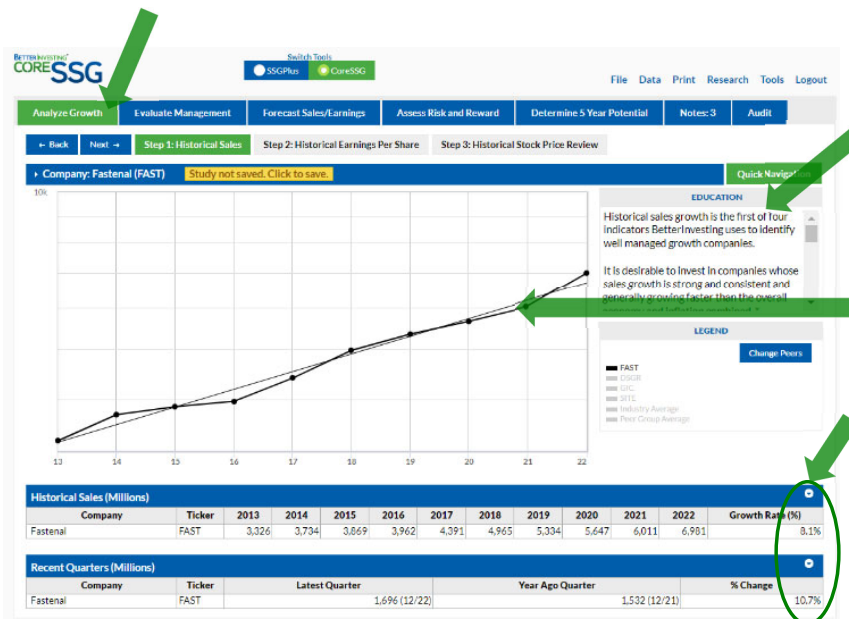
The CoreSSG is broken up into five tabs, with each tab having one or more steps to complete. Review all the steps in each tab, starting from left to right, to complete the SSG.



-OR- Click on the **Next** button to complete each step in order.

### 4 Analyze Growth – Step 1 – Historical Sales

Click on the **Analyze Growth** tab at the top and select **Step 1: Historical Sales** to review the sales data. Look for companies whose sales growth is strong and consistent.



Review the **Education** panel to see the basic concepts for the data item.

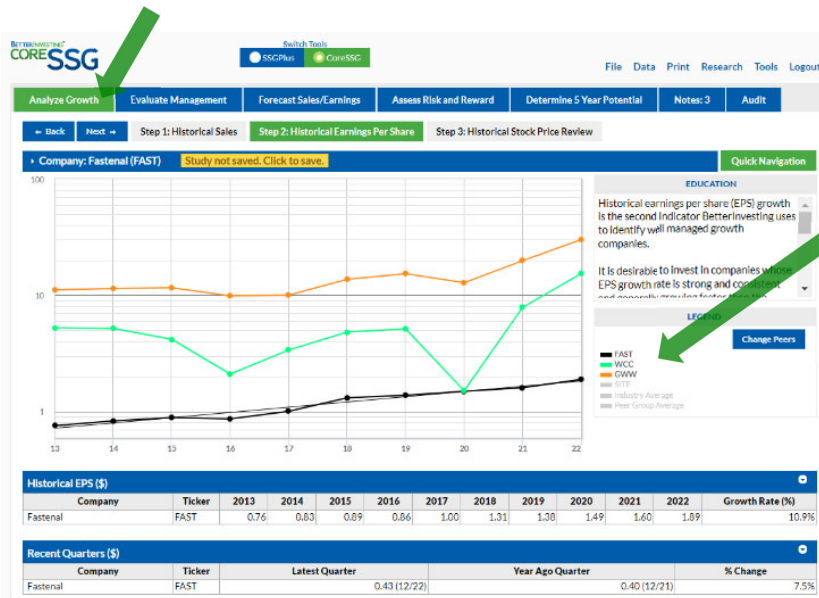
Review **annual data** plotted in solid lines on the chart.

Review **growth rates** in the table.

Review recent **quarterly data** by viewing the open circles in the chart or the data in the table.

### 5 Analyze Growth – Step 2 – Historical Earnings

Click on the **Next** button at the top or select **Step 2:Historical Earnings** to review the earnings data. Look for companies whose earnings growth is strong and consistent.

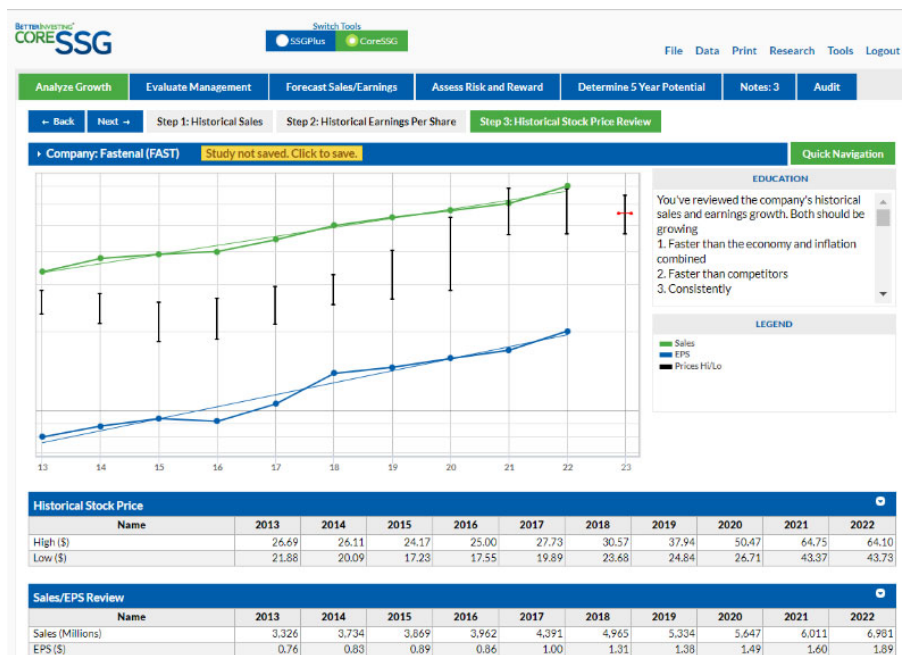


Click on **legend items** to show **peer companies** and industry averages in the chart (available in most graph displays).

Comparing the company under study with others in the same industry helps you choose the strongest company.

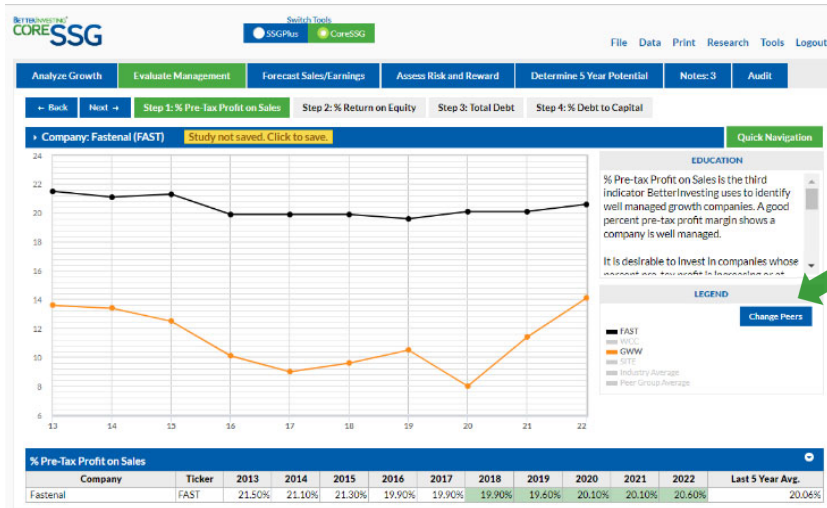
### 6 Analyze Growth – Step 3 – Sales, EPS, Price Review

Check that the graph lines are up, fairly straight and moving together in parallel (sometimes referred to as “railroad tracks”).



### 7 Evaluate Management – Step 1 - % Pre-Tax Profit on Sales

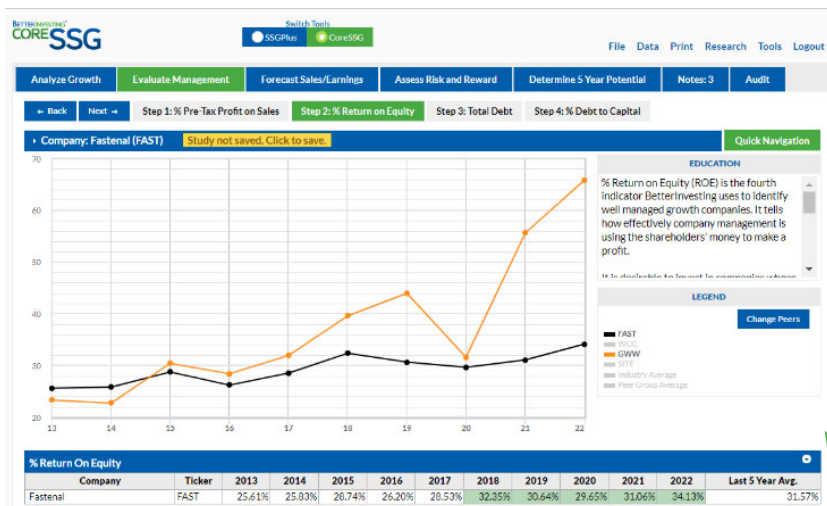
Check for a % pre-tax profit on sales (pre-tax profit margin) trend that is increasing or at least stable over the last five years.



Pre-tax profit margin should be as good or better than peers (competitors).

### 8 Evaluate Management – Step 2 - % Earned on Equity

Check for a % earned on equity trend that is increasing or at least stable over the last five years.



Look for companies with at least 15% earned on equity.

### 9 Evaluate Management – Step 3, 4 – Debt, % Debt/Capital

Check for a % debt to capital trend that is decreasing or at least stable over the last five years.

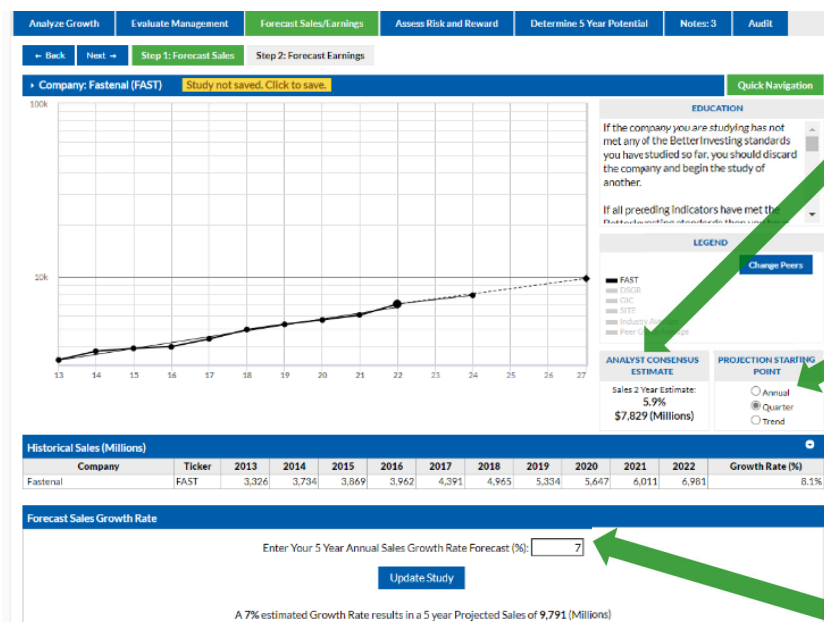


As a conservative guideline, look for debt levels to be **less than 33% of capital**.

Certain industries carry more debt so compare the company under study to peers in the industry.

### 10 Forecast Sales

Forecast the rate at which you believe sales will grow in the future taking into account historical results, competition, market factors and analyst estimates.



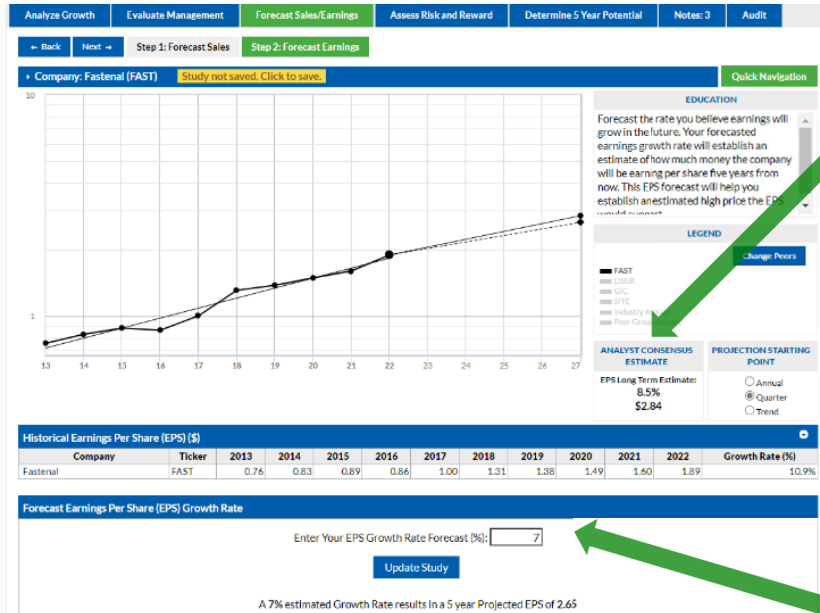
**Analyst estimates** may be available for larger companies as a reference for your judgment.

Change the **starting point** of your projection by selecting a radio button.

Enter the growth value in the text box and click **Update Study**.

### 11 Forecast Earnings

Forecast the rate at which you believe earnings will grow in the future taking into account historical results, sales growth, market factors and analyst estimates.



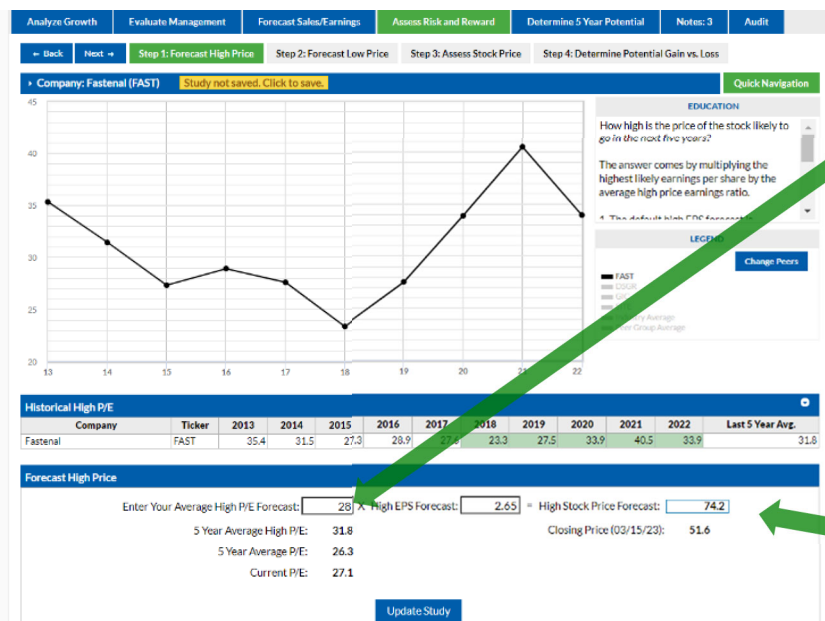
Analyst estimates may be available for larger companies as a reference for your judgment.

Use extreme caution before projecting EPS to grow faster than sales.

Enter the growth value in the text box and click **Update Study**.

### 12 Assess Risk & Reward – Step 1 – Forecast High Price

Forecast the future average high P/E, considering the historical average and observed trends. In general, set the future average high P/E to no more than 30.

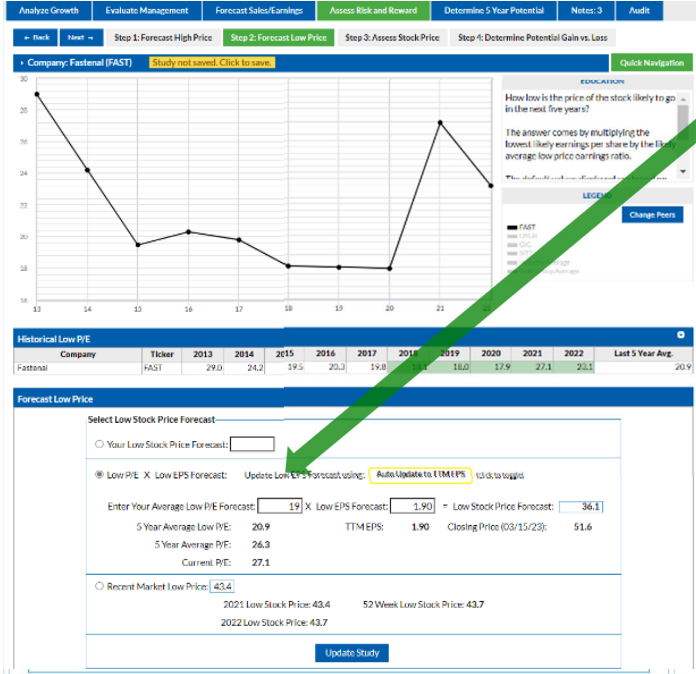


Enter the high P/E value in the text box and click **Update Study**.

Based on the forecasts - high EPS (in five years) and average high P/E - the forecast high price has now been established.

### 13 Assess Risk & Reward – Step 2 – Forecast Low Price

Forecast the future average low P/E, considering the historical average and observed trends. In general, set the future average low P/E to no more than 15.



Low P/E x Low EPS Forecast is the option utilized most often.

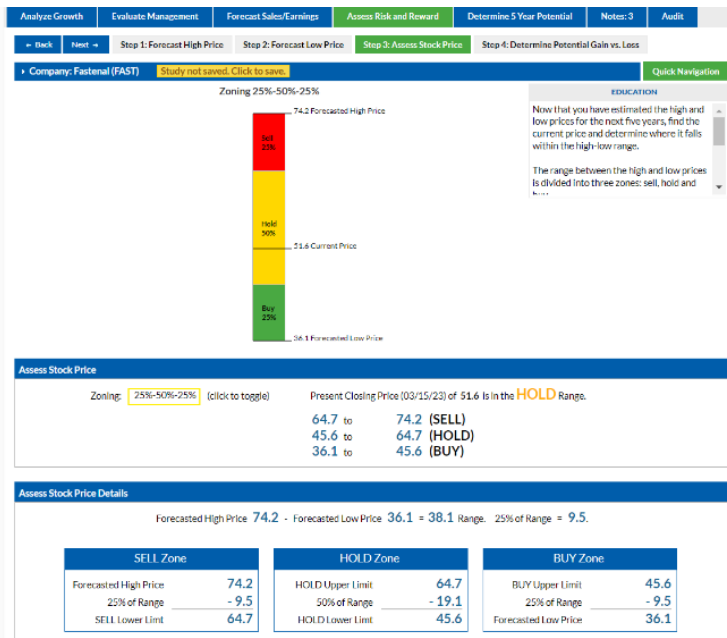
- Enter the low P/E value in the text box.
- (optional) Adjust the Low EPS Forecast to the Last 4 Qtr EPS and click **Update Study**.

-OR-

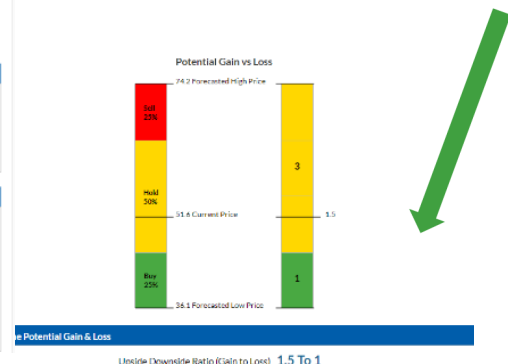
Enter a value directly in the **Your Low Stock Price Forecast** text box and click **Update Study**.

### 14 Assess Risk & Reward – Step 3,4 – Assess Stock Price

Based on the forecasted high and low prices the buy, hold and sell zones are established. Evaluate the current price in relation to the zones.

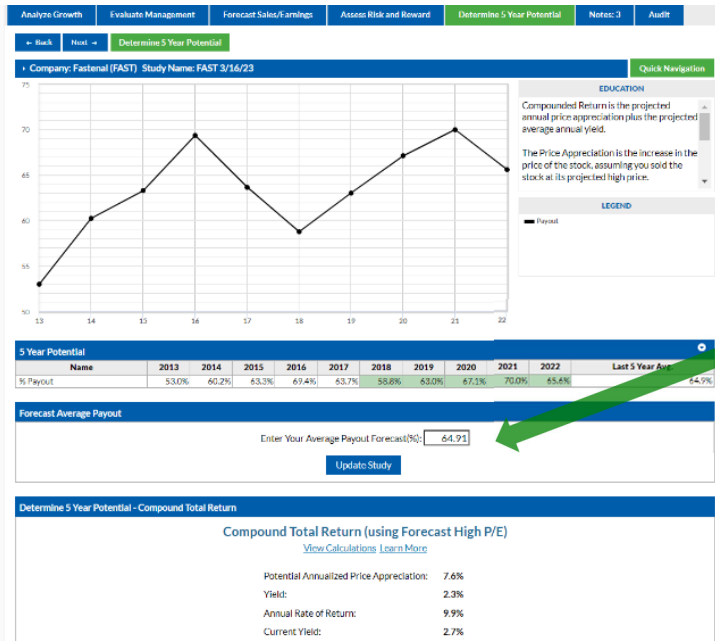


Review the Upside-Downside ratio in Step 4. It is desirable for the upside potential (from the current price) to be at least three times larger than the downside risk (3 to 1 or higher).



### 15 Determine 5-Year Potential

Review the five-year potential return. This includes both the return from price appreciation and from the projected dividend yield.



(optional) Adjust the Average Payout Forecast % based on historical data, observed trends and other research.

### 16 Save, Send, Print & Research

Use the top menu options to **change** study data, **save** the study, **email** it to others, **print** a two-page PDF of the SSG or set your **preferences**.

Click on the **Research** link to quickly link to other free reference websites.

