A BASIC VALUE RULE OF THUMB FOR SCREENING STOCKS

By John Bajkowski

Every value investor should seek high growth and high dividends at a bargain price, but trade-offs are necessary. How can you compare these trade-offs? A fundamental value rule of thumb combines earnings yield, earnings retention, and dividend yield.

Techniques for selecting and analyzing stocks are continually presented and discussed based upon new rules, old rules, and new versions of old rules. These rules often are deceptively simple, such as "look for price-earnings ratios below the market average," while others combine elements into complex rules, such as the PEG ratio, which divides the price-earnings ratio by the earnings growth rate.

Many of the traditional value rules based upon dividend yields have become difficult to implement as investors and firms have de-emphasized the importance of dividends and focused in on earnings growth potential. One old value screen still applicable in today's market combines earnings yield, dividend yield, and earnings retained to book value. All of these elements are well known and frequently used by value investors. When combined, a score is computed that can help indicate if a stock merits further analysis. For this issue, we apply the screen to the AAII Shadow Stocks.

In order to use any screen effectively, the individual investor should understand the rationale for the screen, the components of the screen, how these components interact, and how to interpret and adjust the results when applied to specific stocks.

The rationale for a screen that combines earnings yield, earnings retained to book value, and dividend yield is simple: Every value investor should seek high growth and high dividends at a bargain price. Of course, high growth and high dividends in one company are contradictory, and therefore trade-offs are necessary. Exceptional growth can offset a low or non-existent dividend yield and can be worthy of further analysis if the stock price is relatively low. On the other hand, a high dividend yield and a low price relative to earnings can compensate for lower growth.

EARNINGS YIELD

The primary components of the screen are earnings yield, earnings retained to book value, and dividend yield.

Earnings yield is simply earnings per share divided by share price:

Earnings Yield = EPS ÷ Price

Where:
EPS = Earnings per share for the most recent 12 months
Price = Market price per share of the common stock

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The Shadow Stock series was started by AAII in January 1985. The list is updated each year and consists of non-financial stocks that are small, with low institutional interest, and have had positive annual earnings for the two previous years. Shadow Stocks are presented to illustrate screening techniques that individual investors may find useful in their investment programs. They are presented as illustrations and are not recommendations. Further analysis of individual Shadow Stocks is necessary for any investment decision. A complete explanation of the Shadow Stock series, along with a list of all Shadow Stocks, appeared most recently in the February 2001 issue; new members receive explanations in the new member packet.

The earnings yield relates the generation of earnings to the stock price. A high earnings yield is desirable. Earnings per share and price are also the components of the price-earnings ratio (price per share divided by earnings per share); it is the reciprocal of the earnings yield.

P/E Ratio = Price ÷ EPS
= 1 ÷ (EPS ÷ Price)

In this form, it is apparent that a relatively high earnings yield is equivalent to relatively low price-earnings ratio. Numerically, for example, if the earnings yield for a stock is 9%, its price-earnings ratio would be 11.1 (1 ÷ 0.09)—in other words, the price is 11.1 times earning per share. The lower the earnings yield, the higher the equivalent price-earnings ratio. An earnings yield of 5% translates into price earnings ratio of 20 (1 ÷ 0.05).

The market is forward-looking in its analysis. If it expects high future growth in earnings for a given stock with great certainty, it may be willing to accept a lower earnings yield (higher price-earnings ratio) today for that stock.

Using estimated future earnings and assuming growth in earnings, rather than using earnings for the most recent 12 months (termed trailing earnings), should result in a higher earnings yield and a lower price-earnings ratio. As an investor, you must question whether the expectation is reasonable. A value investor seeks stocks with high earnings yields for their attractive valuation, thus obtaining high earnings per share relative to the current stock price.

The earnings yield takes on additional significance and meaning when compared to a benchmark, such as other firms within an industry, the overall market level, or even the bond yield. Investors such as Warren Buffett compute the earnings yield because it presents a rate of return that can be compared quickly to other investments. Buffett goes so far as to view stocks as bonds with variable yields, and their yields equate to the firm's underlying earnings. The analysis is completely dependent upon the predictability and stability of the earnings. Buffett likes to compare the company earnings yield to the long-term government bond yield. An earnings yield near the government bond yield is considered attractive. At the beginning of June 2001 long-term government bonds were yielding about 5.9%, providing a relatively low and easy hurdle to jump. While bond interest is cash in hand, it is static and does not normally adjust over time; stock earnings on the other hand are not cash but should grow over time and support a higher price. (See the Stock Screens area of AAII.com for more on Buffett's approach.)

EARNINGS AND VALUE

The second component is the ratio of earnings retained to book value. Earnings retained are simply annual earnings after the annual dividends to preferred and common shareholders have been paid. They are reinvested by the firm and determine the growth in book value.

Book value consists of all of the assets of the firm, less all debt and other obligations. When divided by the number of outstanding common shares, the figure becomes book value per share. The "book" in book value is an accounting determination rather than a market valuation. Book value is often termed "equity," "shareholder's equity" or "net worth."

Ratio of Retained Earnings to Book Value
= (EPS – DPS) ÷ BVPS

Where:
EPS = Earnings per share
DPS = Dividends per share
BVPS = Book value per share

The ratio of earnings retained to book value measures change or growth in book value, but it is better thought of as an adjusted return on equity or sustainable growth rate. The more commonly used return on equity figure is the ratio of earnings per share to book value. If no dividend is paid, return on equity equals earnings retained to book value.

Return on equity is used as a criterion in a number of the screens posted on AAII.com. Michael Murphy, editor of the California Technology Stock Letter (800/998-2875; www.ctsl.com), looks for a minimum level of 15% for a company's return on equity as a measure of a firm's ability to finance its long-term capital requirements internally. Murphy feels that this test is particularly important for companies in capital-intensive industries, such as semiconductor production. Assuming no dividend payout, the return on equity equals the long-term sustainable growth rate. Faster growth has to be financed with additional debt or equity. Taking on debt has absolute limits and must be done carefully by companies in volatile industries. Issuing additional equity dilutes the ownership of existing shareholders, making their stock worth less on a per share basis. Murphy therefore prefers companies with a return on equity that can comfortably fund growth.

Warren Buffett considers it a positive sign when a company is able to earn above-average returns on equity. Buffett believes that a successful stock investment is a result first and foremost of the underlying business; its value to the owner comes primarily from its ability to generate earnings at an increasing rate each year. Buffett examines management's use of owner's equity, looking for management that has proven it is able to employ equity in the new moneymaking ventures, or for stock buybacks when they offer a greater return. If the earnings are properly reinvested in the company, earnings should rise over time, and stock price valuation will also rise to reflect the increasing value of the business. Our Buffett screen found on AAII.com looks for companies with current and average return on equity above 12%.

The ratio of earnings less dividends to book value is the most intricate and difficult to interpret, primarily because of the book value figure. Excessive debt or financial leverage, either absolute or relative to industry averages, can produce a low book value figure relative to total assets. That means that, while the ratio of earnings retained to book value may be high, the firm is accomplishing this growth with above-average risk.

The second complication in the evaluation of this ratio is the relevance of book value. As an accounting measure, book value is an attempt to measure the net value of physical assets that can be used to create future cash flows and earnings. Book value does a better job when examining traditional industrial firms, but for service-oriented firms, future earnings potential is more likely a function of the value of intangible assets and human capital employed by a company. If you are examining a firm that has significant and valuable intangible assets not captured on the balance sheet, the ratio of earnings retained to book value is probably overstated.

The interpretation of book value can require some additional scrutiny, but the screen can serve as a useful rule of thumb as long as the individual investor is aware of the circumstances that may cause exceptions.

DIVIDEND YIELD

The third fundamental value ratio is the dividend yield, which relates the annual cash dividend on the common stock to the current market price of the common stock.

Dividend Yield = DPS ÷ Price

Where:
DPS = Indicated annual dividend per share
Price = Market price per share of the common stock

While this screen seeks high dividend yields, it is important to remember the trade-off between the dividend yield and future growth rate. The more dividends that are paid out, the higher the dividend yield but the lower the ratio of earnings retained to book value.

BUILDING THE SCREEN

Our primary screen adds up the three ratios and requires a minimum total value of 25% for further analysis.

Looking at the averages for stock indexes for these components can give an indication of why 25% might be considered exceptional and therefore worthy of additional investigation.

Currently, the price-earnings ratio for the S&P 500 is 22.8. Dividing the price-earnings ratio into one (1 ÷ 22.8), the earnings yield works out to 4.4% on current earnings. The dividend yield is 1.6%, while the earnings retained to book value is 14.6%. The S&P 500 index had a combined fundamental value rule-of-thumb score of 20.6% (4.4% + 14.6% + 1.6%), less than the 25% minimum requirement. Table 1 provides statistics for the primary S&P market-capitalization indexes.

The three ratios are highly interrelated. A firm with a price-earnings ratio of 20 and therefore an earnings yield of 5% that pays no dividend would have to have a ratio of earnings retained to book value of at least 20% to qualify. In this example, the ratio of earnings retained to book value is the same as the return on equity, since no dividend is paid. A 20% return on equity is considered very good.

Shadow Stocks consist of non-financial stocks that are small, with low institutional interest, and that have had positive annual earnings for the two previous years. Applied to the Shadow Stock list, 64 of the 198 Shadow Stocks had a fundamental value rule-of-thumb score of 25% or better. By way of comparison, 865 stocks had a score of 25% or better within the 7,189 universe of exchange-traded stocks within *Stock Investor Pro*.

Excess debt can boost the ratio of earnings retained to book value, but with increased risk. The greater the proportion of liabilities relative to equity, the greater the financial risk of the firm—but also the greater the ratio of earnings retained to book value. If equity is small relative to liabilities, then earnings generated will result in a high return on book value if the firm is profitable. The risk with high levels of liabilities is that a company will not generate enough cash flow to cover the interest payments during weak periods. Liabilities magnify the impact of retained earnings on book value during both good and bad years. We therefore added a screen that requires that a firm's liabilities relative to assets be at or below their industry norm. This reduced the number of passing companies from 64 to 45.

TABLE 1. S&P MARKET-CAPITALIZATION INDEXES

Index	Earnings Yield (%)	Earnings Retained to Book Value (%)	Dividend Yield (%)	Fundamental Value Rule of Thumb (%)
S&P 500 (large cap)	4.4	14.6	1.6	20.6
S&P MidCap 400	5.2	11.9	1.3	18.4
S&P SmallCap 600	5.9	12.1	0.9	18.9

Source: Derived from S&P/Barra index data as of 5/31/2001 (www.barra.com).

TABLE 2. FUNDAMENTAL VALUE RULE-OF-THUMB SCREEN

Company (Exchange: Ticker)	P/E Ratio (X)	Earnings Yield 12-Month (%)	Earnings Yield 3-Yr. Avg. (%)	Earnings Yield Indus. Median (%)	Div. Yld. (%)	Earnings Retained to Book Value (%)	Total Liab./ Total Assets (%)	Fund'l Value Rule of Thumb (%)	52-Wk. Rel. Strgth. Index (%)	Description
Exploration Co. of DE (M: TXCO)	5.3	18.8	5.0	10.8	0.0	32.7	17.9	51.5	3.0	Oil & natural gas
Escalade, Inc. (M: ESCA)	6.6	15.2	12.8	8.5	0.0	31.5	57.5	46.7	57.0	Sport, office, art prods
ELXSI Corp. (M: ELXS)	3.1	32.4	14.9	6.3	0.0	14.0	29.7	46.5	–17.0	Bickford's restaurants
A.C.L.N. Limited (M: ACLNF)	9.3	10.8	18.5	5.8	0.0	35.1	11.0	45.9	75.0	Marine logistics, autos
Great Northern Iron Ore (N: GNI)	8.7	11.5	11.9	6.0	8.2	22.4	12.9	42.1	63.0	Mineral (& non) lands
Dynacq Int'l Inc. (M: DYII)	29.4	3.4	7.0	3.8	0.0	38.0	33.0	41.4	429.0	Healthcare delivery sys
Innodata Corp. (M: INOD)	13.2	7.6	8.1	3.8	0.0	33.7	29.1	41.2	179.0	Internet data convers
AAON, Inc. (M: AAON)	11.1	9.0	10.2	7.0	0.0	31.0	52.3	40.0	8.0	Air & heat equip
TSR, Inc. (M: TSRI)	6.2	16.2	6.3	2.7	0.0	22.8	23.2	38.9	12.0	Contract programming
Media Arts Group, Inc. (N: MDA)	4.0	25.3	10.6	7.4	0.0	11.4	24.0	36.6	–28.0	Art-based accessories
Camtek LTD. (M: CAMT)	8.8	11.3	nmf	4.6	0.0	25.1	21.7	36.4	na	Auto opt inspec sys
Prima Energy Corp. (M: PENG)	13.3	7.5	7.5	10.8	0.0	28.0	26.3	35.5	15.0	Crude oil & natural gas
Apco Argentina Inc. (M: APAGF)	10.6	9.5	3.6	10.8	2.0	23.0	13.1	34.5	37.0	Oil & gas explor/produc
Quipp, Inc. (M: QUIP)	7.2	13.9	11.5	7.0	0.0	20.4	32.3	34.3	7.0	Newspaper ind'y equip
American Technical Ceram. (A: AMK)	7.3	13.8	5.2	7.1	0.0	20.3	28.4	34.1	–68.0	Ceramic capacitors
Newmark Homes Corp. (M: NHCH)	6.7	14.9	18.9	10.9	1.5	17.1	60.1	33.4	178.0	Detached homes
Chase Corp. (A: CCF)	7.8	12.8	12.2	6.1	3.1	17.4	42.7	33.4	35.0	Industrial prods
MTR Gaming Group, Inc. (M: MNTG)	19.3	5.2	11.8	6.2	0.0	28.1	59.2	33.3	227.0	Hotel & gaming props
Herbalife Int'l (M: HERBA)	6.5	15.4	10.8	3.7	0.0	17.1	42.9	32.4	24.0	Health prods
Gentner Communic'ns (M: GTNR)	18.7	5.4	3.8	4.5	0.0	26.5	11.7	31.8	3.0	Conferencing servs
Embrex, Inc. (M: EMBX)	17.5	5.7	6.3	9.6	0.0	26.0	10.0	31.7	23.0	Biological tech & prods
Tremont Advisers Inc. (M: TMAV)	31.8	3.2	4.3	5.2	0.0	28.4	34.0	31.5	176.0	Investment funds & servs
MarineMax, Inc. (N: HZO)	7.3	13.7	1.6	7.4	0.0	17.4	62.6	31.0	37.0	Boat dealer
Hampshire Group, Ltd. (M: HAMP)	5.3	18.9	10.3	9.4	0.0	11.5	36.0	30.4	62.0	Sweaters & securities
Associated Materials Inc. (M: SIDE)	8.3	12.0	15.6	6.8	0.5	17.8	58.4	30.4	51.0	Exterior building prods
Warwick Valley Tele. (M: WWVY)	9.9	10.1	6.8	5.3	4.3	15.5	39.8	29.9	24.0	NY & NJ telephone co.
Qualstar Corp. (M: QBAK)	10.1	9.9	nmf	6.5	0.0	19.8	2.7	29.8	na	Data storage libraries
Shuffle Master, Inc. (M: SHFL)	32.0	3.1	5.2	6.2	0.0	26.6	15.5	29.8	243.0	Gaming equip & software
Image Entertainment, Inc. (M: DISK)	9.3	10.7	nmf	4.7	0.0	18.6	61.5	29.3	–7.0	Optical & dig video disks
Drexler Technology Corp. (M: DRXR)	20.6	4.9	2.4	6.5	0.0	24.2	12.2	29.1	18.0	Optical data storage
Benihana, Inc. (M: BNHN)	8.9	11.3	9.1	6.3	0.0	17.2	40.7	28.5	3.0	Japanese restaurants
Summa Industries (M: SUMX)	6.9	14.6	11.8	6.8	0.0	13.2	59.5	27.7	0.0	Plastic prods
Rimage Corp. (M: RIMG)	13.2	7.6	6.7	4.7	0.0	20.1	13.7	27.6	–32.0	CD duplication equip
Cognitronics Corp. (A: CGN)	7.9	12.7	6.1	4.5	0.0	14.5	18.4	27.2	–55.0	Voice processing sys
U.S. Physical Therapy (M: USPH)	41.0	2.4	5.6	3.8	0.0	24.5	37.3	26.9	557.0	Outpatient clinics
Air Methods Corp. (M: AIRM)	7.7	13.0	2.1	5.8	0.0	14.0	59.0	26.9	27.0	Air medical emerg trans
Northern Tech. Int'l (A: NTI)	9.4	10.7	8.9	6.1	3.3	12.4	4.9	26.4	–3.0	Indus packaging mat'ls
Hansen Natural Corp. (M: HANS)	9.2	10.8	8.5	3.8	0.0	15.2	40.9	26.0	–13.0	Alternative beverages
Petroleum Development (M: PETD)	9.2	10.9	10.4	10.8	0.0	15.1	52.5	26.0	61.0	Natural gas
Tutogen Medical, Inc. (A: TTG)	17.8	5.6	1.0	4.7	0.0	20.2	31.3	25.9	–4.0	Tissue process'g, surgical prods
Minuteman Int'l Inc. (M: MMAN)	7.5	13.3	10.5	7.0	3.8	8.6	35.6	25.7	16.0	Vacuums, floor care equip
USANA Health Sciences Inc. (M: USNA)	9.8	10.2	4.8	5.7	0.0	14.9	62.0	25.1	–41.0	Nutritional prods
Median of Passing Companies	9.2	10.9	8.1	—	0.0	20.1	32.7	31.6	20.5	
Median of All Shadow Stocks	**15.0**	**6.7**	**5.7**	**—**	**0.0**	**12.3**	**46.3**	**21.0**	**14.0**	
Median of All Companies	15.4	6.5	5.8	—	0.0	9.4	57.8	18.4	0.0	

Na = not applicable
Nmf = no meaningful figure
Statistics are based upon data as of 6/15/2001.
Source: AAII's Stock Investor Pro/*Market Guide Inc. and I/B/E/S.*

Exchange Key: *N = New York*, *A= American*, *M = Nasdaq*

DEFINITIONS OF SCREENS AND TERMS

Price-Earnings (P/E) Ratio: Market price per share divided by the most recent 12 months' diluted earnings per share from continuing operations. A measure of how the market currently values the firm's earnings growth and risk prospects. Firms with very high ratios are being valued by the market on the basis of high expected growth potential. Firms with very low ratios are being valued with lowered expected growth potential, higher risk, or may be neglected by the market.

Earnings Yield, 12-Month: Diluted earnings per share from continuing operations for the most recent 12 months divided by market price per share. Relates the generation of earnings to share price. It is the inverse of the price-earnings ratio. Firms with very high ratios are valued with lowered expected growth potential or higher risk, or may be neglected by the market.

Earnings Yield, 3-Year Average: Average annual earnings yield over the last three years. Provides an indication of the recent valuation levels for a stock. Stocks with "nmf" for this value had negative earnings for at least one of their last three fiscal years.

Earnings Yield, Industry Median: Median current earnings yield for the primary industry in which a firm operates. Provides an indication of the valuation levels for a given industry.

Dividend Yield: Indicated annual cash dividend divided by share price. An indication of potential growth; a high yield may point to a lower level of retained earnings and a lower potential for future growth.

Earnings Retained to Book Value: Annual earnings per share less annual dividends per share, divided by book value per share. Measures the growth in book value; similar to return on equity, adjusted for dividends paid.

Total Liability/Total Assets: Short-term and long-term liabilities divided by total assets of the firm for the most recent quarter. A measure of financial risk that indicates how much of the assets have been financed by liabilities. Higher ratios indicate greater use of liabilities relative to equity.

Fundamental Value Rule of Thumb: The sum of earnings yield, dividend yield, and earnings retained to book value.

52-Week Relative Strength Index: Price performance of the stock during the last year relative to the price performance of the S&P 500 index. A figure of 0.0 indicates the stock had the same percentage price performance as the S&P 500. Positive figures indicate that a stock outperformed the S&P 500, while negative figures point to relative under performance over the last year.

Since the screen allows comparison of all types of firms, from growth companies to mature dividend-payers, it is touted as a universal initial screen for comparison among all firms. As such, it is a useful cross-industry screen, particularly suited for combing through many stock candidates. However, we have added a few criteria to exclude ADRs (American depositary receipts; foreign stocks listed on U.S. exchanges), closed-end funds, and real-estate investment trusts (REITs) because of the specialized analysis needed for these types of securities. These additional screens reduced the list of passing companies to the 42 stocks displayed in Table 2. The stocks are ranked by their fundamental value rule-of-thumb score in descending order. When studying the results, it is critical to closely examine the elements determining the value score.

The price-earnings ratio and earnings yield columns are provided in the table to help illustrate the inverse relationship between the variables. Exploration Company of DE leads the pack with score of 51.5%. Its low 5.3 price-earnings ratio translates into a high earnings yield of 18.8%—significantly above the 5.9% earnings yield for the S&P SmallCap index. The Exploration Company of DE is engaged in the exploration, development, and production of oil and natural gas properties located primarily in Texas, North Dakota, and Montana. The Exploration Company has seen its earnings jump due to the significant recent increases in gas and oil prices. The three-year average earnings yield helps provide a historical benchmark for comparison. A change in the level may signal that the market, for whatever reason, is changing its expectations about the future earnings potential of a firm or not paying attention and mispricing the security. Overall, the market weakness over the last year has generally led to more attractive valuation levels, illustrated through higher current earnings yields relative to their historical norms. The Exploration Company's current yield of 18.8% is well above its three-year average yield of 5.0%. Markets are forward-looking and must be viewing Exploration Company's high current earnings as unsustainable or risky going forward.

The median industry earnings yield is provided to help gauge the overall valuation level for the industry in which a company competes. The oil and gas operations industry in which Exploration Company competes has a relative high earnings yield of 10.8% compared to the health care facilities industry figure of 3.8% in which U.S. Physical Therapy competes. Significant deviations from past averages or industry norms warrant yet qfurther analysis.

Dividend yield analysis works best with larger-capitalization companies that pay a meaningful dividend. These are typically mature firms that are not expanding greatly and do not need to plow all of their earnings back into the company. They can afford to pay a sizable dividend that attracts investors looking for a steady current income. When the yield is high, income investors will buy the stock, bidding up the price; when the yield is low, they will tend to exchange the shares for better-yielding securities—pushing the price down and thus the yield up. The trade-off for investing in dividend-rich firms is that these companies typically have more limited future growth opportunities.

The importance of dividends has been de-emphasized, as investors have placed greater emphasis on growth. It is not surprising that only about 25% of the stocks covered in *Stock Investor Pro* pay any dividend, and this pattern is reflected in the table. Only eight of the passing companies pay a dividend, with Great Northern Iron Ore leading the pack with an incredible 8.2% dividend yield. Great Northern Iron Ore controls 12,033 acres of mineral and non-mineral lands on the Mesabi Iron Range of Northern Minnesota. Historically, the firm pays out most of its earnings as dividends.

A strong financial position enables a company to work through a period of operating difficulty often experienced by out-of-favor stocks. Financial strength also helps provide a measure of safety for the dividend payout. One must consider both the short-term obligations of the company along with long-term liabilities when testing for financial strength. Common measures of longer-term obligations include the debt-to-equity ratio (which compares the level of long-term debt to owner's equity), debt as a percent of capital structure (long-term debt divided by capital, which includes long-term sources of financing such as bonds, capitalized leases, and equity), and total liabilities to total assets. We use the ratio of total liabilities to assets for our screen because it considers both short-term and long-term liabilities. Alternatively, we could have used both a measure of short-term financial strength, such as the current ratio (current assets divided by current liabilities) and a measure that examines the long-term obligations of the firm, such as the debt-to-equity ratio.

Acceptable levels of debt vary from industry to industry, so we are screening for companies with total liabilities to assets below the norms for their industry. Glancing at the table, technology stocks such as Qualstar and Gentner Communications generally have lower ratios than more stable, capital-intensive stocks such as AAON and Summa Industries.

Price momentum is often used as a signal that the market has recognized that the stock price is reacting to either proven performance or an increase in expectations. Investors look for stock price performance superior to that of other stocks with the belief that the rising price will attract other investors who will drive up the price even more. The 52-week relative strength index is a popular measure of price strength and momentum. The relative strength index reports the price performance of the stock during the last year relative to the price performance of the S&P 500 index. A figure of 0.0 indicates the stock had the same percentage price performance as the S&P 500. Positive figures indicate that a stock outperformed the S&P 500, while negative figures point to relative underperformance over the last year. Small- and mid-cap stocks have outperformed large-cap stocks, so it is not surprising that the median relative strength index both for the Shadow Stock group and passing companies is positive. U.S. Physical Therapy leads the group with a relative strength index value of 557%, the result of a 445% price increase over the last 52 weeks.

Regardless of how you use the screen, it is essential to follow it up with an analysis that delves into the financial history of the firm, including factors such as earnings stability, financial structure, new and old products, competitive factors, and the prospects for future earnings growth. ✥