Introduction to BI

NATIONAL ASSOCIATION OF INVESTORS CORPORATION

BETTERINVESTING™

Educating Investors Since 1951

As a nonprofit organization, BI's mission is to educate individual investors and investment clubs to become successful life Investors. We are a volunteer-based, member-driven organization.

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History of Success

- Founded in 1951, BI has helped over 5 million people from all walks of life learn how to improve their financial future.

- Whether you are experienced or just starting, looking to invest in stocks on your own or as part of an investment club, BI teaches you how to build a profitable portfolio of high-quality growth companies to help you reach your long-term financial goals.

Modern Investment Club Movement

- Cooperative learning with a common goal reinforces good investment habits

- Investing with friends and family provides a safe space for learning

- The organization provides guidance and tools to operate the investment clubs such as accounting and tax software

- A community of members to reach out for advice and support

- Low-cost alternative to commercial products

BI Principles

- Invest Regularly – regardless of market conditions

- Re-invest all Earnings – dividends and capital gains

- Invest in Quality Growth Companies for the Long Term

- Diversify Your Portfolio to Optimize Risk

Investing regularly

- Is the best way to build a retirement fund over time.

Dollar-cost-averaging

- Is a natural result of regular investing.
- When you invest every month, year-over- year, you will be investing in bull and bear markets.
- When the market is down, you will be buying more due to the lower prices.
- Regular monthly investing is always better than one-time investments simply because you are more likely to invest rather than spend the money.

Reinvesting earnings and dividends

- Optimizes growth.
- Between 1926 and 2012 the S&P 500, earned 9.9%; 43% of that was from dividends.
- This methodology is constantly selling companies when high and using all the proceeds, including dividends, to purchase other companies that are currently low.
- We buy and replace; not buy and forget

A high-quality growth company

- Consistently and predictably grows revenue, profits, and earnings

- While improving, or keeping steady, profit margins, return on equity, and debt.

Long-term investing

- Is primarily risk mitigation. The key is not selling for a loss each time the market becomes bearish.

- Fortunately, that happens on average every 5-years (there are exceptions like the last bull market that did go on for 10+ years)

- Market correction are relatively short, averaging 11 months, but a 20%+ drop in a short time can be unnerving.

- The seasoned long-term investor is happy to see the market drop because it presents buying opportunities while the market is low.

Portfolio diversification

- Is used to limit risk by spreading it across multiple companies and sectors.

- It's also used to manage portfolio growth by balancing slow, medium, and fast growth companies.

- All these ideas are combined into monthly portfolio management meetings combining company research and portfolio status to identify buys and sells that improve the portfolio's risk and reward.

Company Size

We categorize company size by Sales or Revenue and NOT Market Cap

- Small company - less than $1 billion in revenue or sales

- Medium company - $1 billion to $10 billion

- Large company - more than $10 billion

The BetterInvesting (BI) methodology

- Buy high-quality growth companies with 15% average return or better potential return for the **entire portfolio** (buy low)

- Sell near the top of a business cycle (sell high) when the potential return is low due to price appreciation

- Aim for a 5% relative return above the market average.

Stock Selection Guide (SSG)

Left form

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Stock Selection Guide

Company Alphabet		Date 04/04/23
Prepared by MOHAMED	Data taken from	BI Stock Data
Where traded NAS	Industry	Internet Content & Information
Capitalization --- Outstanding Amounts	Reference	
Preferred ($M)	0.0	% Insiders / % Institution
Common (M Shares)	12,949.0	3.0 / 25.2
Debt ($M) 29,679.0	% to Tot Cap 10.4	% Pot Dil 0.4

Symbol: GOOGL

1 VISUAL ANALYSIS of Sales, Earnings, and Price

282,836   282,836

4.56   4.56

FY 2022 Q4	Sales ($M)	Earnings Per Share
Latest Quarter	76,048	1.05
Year Ago Quarter	75,325	1.54
Percentage Change	1.0%	-31.6%

(1) Historical Sales Growth 19.9%
(2) Estimated Future Sales Growth
(3) Historical Earnings Per Share Growth 18.2%
(4) Estimated Future Earnings Per Share Growth

Right form

2 EVALUATING Management — Alphabet

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Last 5 Year Avg.
% Pre-tax Profit on Sales	24.2%	26.1%	26.2%	26.8%	24.5%	25.5%	24.5%	26.3%	35.2%	25.2%	27.3%
% Earned on Equity	29.2%	14.0%	13.5%	14.4%	8.0%	17.9%	17.4%	18.6%	30.4%	23.1%	21.5%
% Debt To Capital	5.7%	4.8%	4.2%	2.8%	2.5%	2.2%	7.3%	10.7%	10.1%	10.4%	8.1%

3 PRICE-EARNINGS HISTORY as an indicator of the future

CLOSING PRICE 104.72 (04/04/23)   52-WEEK HIGH 143.71   52-WEEK LOW 83.34

Year	A High	B Low	C Earnings Per Share	D High A/C	E Low B/C	F Dividend Per Share	G % Payout F/C*100	H % High Yield F/B*100
2018	64.6	48.9	2.19	29.6	22.4	0.00	0.0	0.0
2019	68.4	51.1	2.46	27.8	20.8	0.00	0.0	0.0
2020	92.2	50.4	2.93	31.5	17.2	0.00	0.0	0.0
2021	151.0	84.8	5.61	26.9	15.1	0.00	0.0	0.0
2022	151.5	83.3	4.56	33.2	18.3	0.00	0.0	0.0
AVERAGE		63.7		29.8	18.8		0.0	
CURRENT/TTM			4.55	31.6	18.3	0.00	0.0	

AVERAGE PRICE EARNINGS RATIO: 24.3   CURRENT PRICE EARNINGS RATIO: 23.0

4 EVALUATING RISK and REWARD over the next 5 years

A HIGH PRICE - NEXT 5 YEARS — Avg. High P/E X Estimate High Earnings/Share = Forecasted High Price $

B LOW PRICE - NEXT 5 YEARS
(a) Avg. Low P/E 18.8 X Estimate Low Earnings/Share 4.55 = Forecasted Low Price $
(b) Avg. Low Price of Last 5 Years 63.7
(c) Recent Market Low Price 83.3
(d) Price Dividend Will Support — Indicated Dividend 0.00 / High Yield 0.00% = 0.0
Selected Forecasted Low Price $

C ZONING using 25%-50%-25%
Forecasted High Price Minus Forecasted Low Price = Range. 25% of Range
Buy Zone / Hold Zone / Sell Zone
Present Market Price of 104.72 is in the **INVALID** Zone

D UPSIDE DOWNSIDE RATIO (POTENTIAL GAIN VS. RISK OR LOSS)
High Price Minus Present Price 104.72 = To 1
Present Price 104.72 Minus Low Price

E PRICE TARGET
High Price / Closing Price 104.72 = X 100 = - 100 = % Appreciation

5 5-YEAR POTENTIAL

A Indicated Annual Dividend 0.00 / Closing Price 104.72 = 0.0000 = 0.0% Current Yield
B AVERAGE YIELD - USING FORECAST HIGH P/E — Avg. % Payout 0.0% / Forecast High PE = 0.0%
AVERAGE YIELD - USING FORECAST AVERAGE P/E — Avg. % Payout 0.0% / Forecast Average PE = %
C COMPOUND ANNUAL RETURN - USING FORECAST HIGH P/E
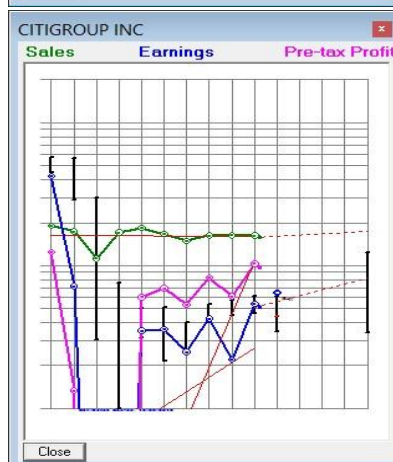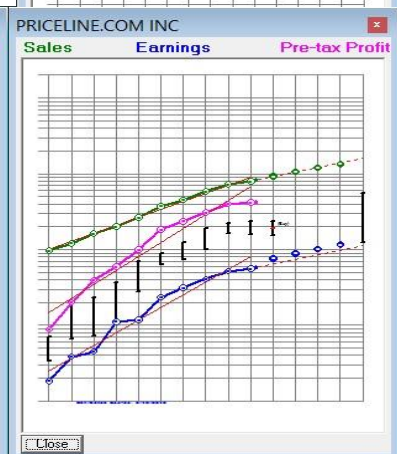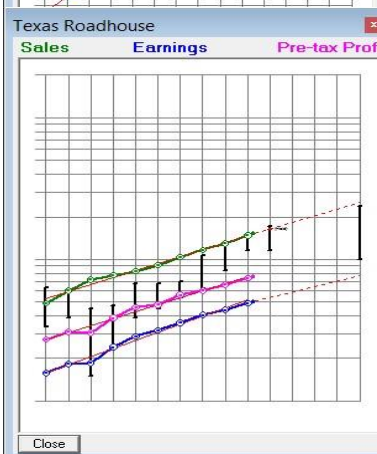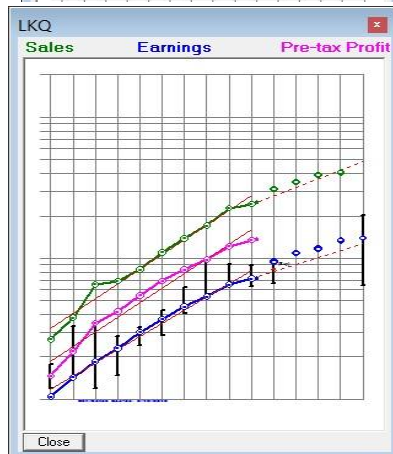Annualized Appreciation 0.0% / Average Yield 0.0% / Annualized Rate of Return %
COMPOUND ANNUAL RETURN - USING FORECAST AVG P/E
Annualized Appreciation -100.0% / Average Yield % / Annualized Rate of Return %

SSG: Section 1
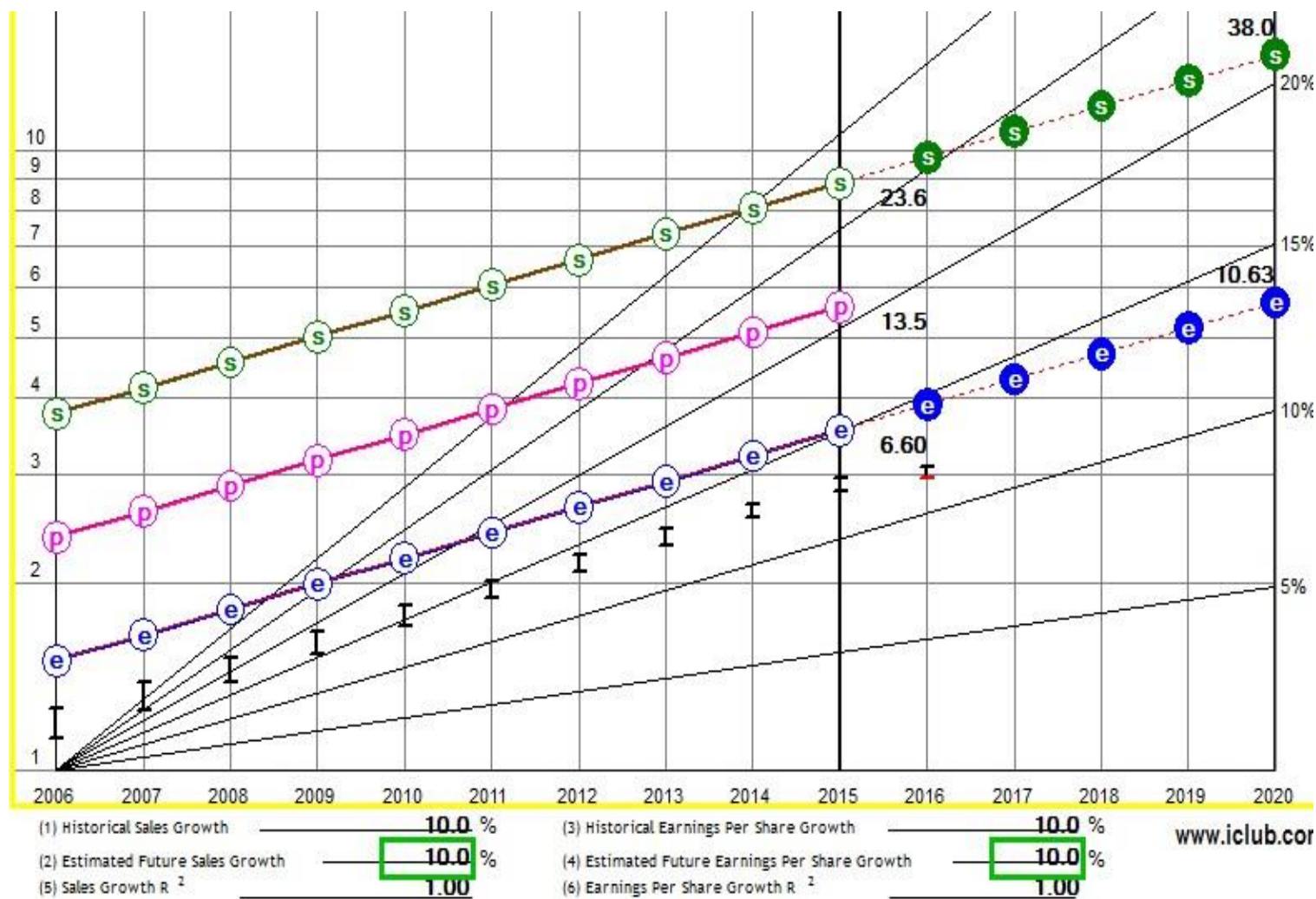
Earnings Follow Sales and Price Follows Earnings

Which of the following companies would you consider to be quality-growth companies? Why?
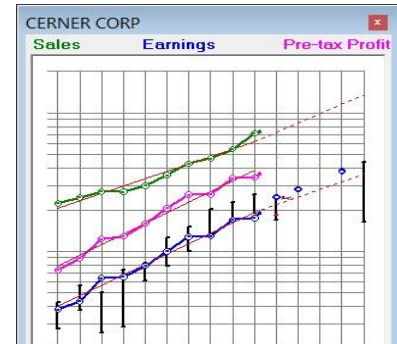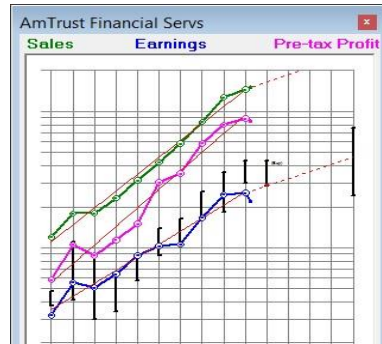
(These are not current; the studies are dated)

Demo BetterInvesting Website

www.betterinvesting.org

BI Website

- [Member Home | Better Investing](#)

- [Houston Chapter | Better Investing](#)

- Learning library for guests
  [Free Investment Education Videos | Better Investing](#)

- Learning Library for members
  [Video Learning Library | Better Investing](#)

- Trial Membership
  https://hello.betterinvesting.org/openhouse

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