Stock Buying Checklist

Business Pillar

1. Is the business understandable?
2. Can you describe what the business does in your own words?
3. How does the company make money?
4. How has the company evolved?
5. Who is the customer of the business?
6. What is the retention rate of the customer?
7. What pain does the business solve for the customer?
8. Does the company have a durable competitive advantage?
9. Can the company raise prices without losing customers?
10. Does the business operate in a good or bad industry?
11. What is the competitive landscape, and how competitive is it?

Management Pillar

12. What type of manager is the leader?
13. Has the manager demonstrated a high level of honesty and integrity?
14. Is management candid with shareholders?
15. How are senior management compensated, and how did they gain their ownership?
16. Look for insider buying and selling
17. Does management have a plan, and do they communicate that plan?
18. Do the CEO and CFO offer guidance regarding earnings?

19. Are the CEO and CFO disciplined in making capital allocations?

20. Does management think independently, and remain unswayed by what others are doing in the industry?

21. Does the business grow organically, or through mergers and acquisitions?

22. What are the future prospects of the business?

23. Is management focused on growing quickly, or at a steady pace?

Financial Pillar

24. Go through the financials line by line.

25. What are the operating metrics that we need to focus on?

26. Identify the key risks the business faces?

27. Asses the strength or weakness of the balance sheet.

28. What is the the return on invested capital for the business?

29. Does the business generate earnings from steady income or one-off transactions?

30. Is the Return on Equity attractive?

31. Is the company conservatively financed?

32. Does the company have a history of growing earnings above the market average?

Valuation Pillar

33. Verify value investing metrics and ratio.

34. Calculate intrinsic value using different methods