IFB300: Listener Q&A – Finding Tax Documents & Our Favorite Financial Websites

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Dave

0:00

All right, folks, welcome to Investing for Beginners Podcast. Today we have episode 300. And today we are going to answer four great listener questions we got from Spotify. So let's go ahead and start working through them.

So here we go. I have I plan on beginning to invest with this current year. How complicated or hard is it to file your taxes with investments? Might be a dumb question, but I've always been intimidated by this. So Andrew, what are your thoughts on this question that we really have never touched on before?

Andrew

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We haven't, and it can be intimidating, but it's pretty easy, right? Yeah. Like one to 10? What would you say? I would probably rate it at about a two. All right. So the data, well, what you do

Dave

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is you go to your brokerage account, and you go under the Documents section in your brokerage account, whether it's Fidelity, Schwab or whoever Ameriprise Robinhood, you name it, they'll all have the document there for you. You go into that document and you look for your tax document and you download it and then depending on who you use to use your taxes, I in the past have used h&r Block TurboTax. And then individual

businesses, and all three of them are the same, you literally just give it to them like you do your W two. And they will process the information for you. And that's it. It's easy peasy.

Andrew

1:17

So unless you're picking up a phone and calling somebody on Wall Street to place your trades. He's one of the online brokers and they will literally create these documents for you download them and upload them and you're done. Yeah,

Dave

1:30

it's that simple. I personally don't buy and sell much. And so there really isn't much for them to do. I can't remember the last time I sold a company. So it's just very easy to do and whether it's a Roth or traditional hand, you know, the accountant will handle all of it for you very painless. Okay. All right. So hopefully that helps answer that question. So, let's move on to the next one. We have what site do you recommend to analyze important stats like ROIC, P E ratio, etc. I use Yahoo Finance right now, but I'm not sure if it has all the info. Also want to thank you both for your motivating advice. So what website or sites you like to use for this kind of information?

Andrew

2:10

Great question. So I like to use our buddy Brandon's website stratosphere.io for quarterly information. So he talked about PE or price earnings ratio. If I wanted to see what that was like for a company over the last four quarters, I would go on his website because he has it. You can sort by annual yearly or quarterly. Really, really simple, really nice to use for something like ROIC. I like quick fs.net. And I like they're overall just when you first hit a page, on their website, I like the way it's laid out. And I like being able to see the margins and just getting like a quick snapshot of the last 10 years of a company. And it's all right there. What about you?

Dave

3:01

Yeah, I'm a big, big fan of stratosphere. I use that primarily as my main source of this kind of information. I like the fact that you can look at pretty much any company across the world on the site. And it also does everything in the local currency. So for example, if you look at a company like Diageo, which is based out of England, I believe it's everything is in town. So I was just recently doing some work on Why's the transfer

cross border transfer company and they're based out of England and everything is in pounds, Odgen company that I own is all in euros, or Google and dollars.

So it's, it's nice to be able to see the local currency. They give you kind of perspective on that. They have all the stats that we want. Plus they have KPIs and everything. So I'm a big fan of that. But to Andrew's point, quick FS is really nice, too, because when you look at that first page in particular, you get all the like the medians and the keggers of some of these metrics that you're referencing, so you can get a snapshot really easily of how well the company's ROIC has performed, for example, over the last 10 years, or what kind of revenue growth the company has seen, or what their average gross margin has been over the last 10 years. And those things are very, very helpful. So I'm a big fan of that as well. I have dabbled with ticker and I have dabbled with koi fin as well. And those are really good as well. But I've kind of settled on stratosphere and quick Fs as well.

Andrew

4:28

Yeah, I really like quick Fs cash flow statement. I haven't found anything that's similar to that. Right? Yeah,

Dave

4:36

that is a good one too. One of the things that I like about the way the stratosphere does the cash flow statement is they break it up into the different sections. And then they also have a separate cash flow like a free cash flow section. So you can see the different sections and kind of the inputs for that and then a breakdown of free cash flow can be that's kind of helpful to just kind of check my math.

Andrew

4:57

I don't like that because I have to do like three extra clicks. All right. A lot of other good stuff. Yeah, for sure. Yeah.

Dave

5:02

Yeah, right, the thing that you're going to notice about all of these sites is a lot of them have similar features and whatnot, it really comes down to what you're looking for how in depth, you really want to get on different things, and what your whole goal is with the site. You know, some people like to have three or four different

sites up and pick and choose from different things. Some people like to have one and just use that as their main option. I would encourage you to check out as many sites as you can, stratosphere, finances Great.

Check all those out and find out what's going to work best for you. I'd be remiss if I didn't mention Seeking Alpha as well. Yeah, all these sites have, they all have strengths and weaknesses. And they all have different things that you can use. But I personally like stratosphere the best. And that's the one that I use the most. But koi fin is great. And tickers great and quick Fs are great as well, they can be very helpful.

Andrew

5:53

So Seeking Alpha, it's funny, I've everything kind of has its own best use. If you're looking for dividends, information, Seeking Alpha is really great for that. Good. Yeah, there are if you want to pull up investor presentations, or the like the quarterly slides that these companies will do for earnings, Seeking Alpha is perfect for that to Yeah. And there's I feel like we can't forget fenders.

No, that one's great for if you want to know instantly, like five different valuation metrics. I go on there too, sometimes to be like, Is this is this company like, at a 10 pe or a 50? P, like, just give me that basic communication, boom. And this right there, you can see where the stocks move to. Right? Yeah, like different tools for different problems.

Dave

6:39

Right, exactly. My main site, the two that I go to the most are bam, sec, and stratosphere and those are the ones that I use the most. And I try to use them in conjunction with each other. And I find it very helpful.

Andrew

6:51

Bam, sex, bam, ba M S e c.com. That one's great for pulling up annual reports, any official document that companies will file? Yep, you're going bam, second, they have them in these little in this grid, where you can see the different file types, right, and you can click in and what I like about that one is, I don't know if this is a premium feature, because we have a have a premium account for us.

As you can do, you can look at the historical data really quickly. So for example, if you wanted to look at Microsoft's cloud data, right, you can click on the similar tables, and you'll be able to click through all the

different years that they had that. And that works for every table that's in the 10k. Right. So obviously, the main financials and main KPIs, but then even if you wanted to get granular to the three different inventory line items, you could do that and see that change over the years. And I find that really, really helpful. Oh, yeah,

Dave

7:51

it's awesome stuff. And I mean, it's a great place to go for the primary resource and research and to see the original numbers, the websites that we're talking about are great for references. But if you really want to know exactly what's going on, you know, bam, SEC is like the perfect place to see all that they've the company transcripts as well, which is really cool to be able to read through all that stuff.

So yeah, anything you want to read about, like interested, anything you want to read from an official document proxies, transcripts, financial statements, it's all they're pretty amazing. So hopefully that helps. All right, well, let's move on to the next one. So we have how to invest as a recent college graduate. So target group will be young folks don't have much money, yet still want to start somewhere. So this I think is a really intriguing question, what are your, I guess initial thoughts,

Andrew

8:38

initial thoughts is just don't overthink it and just dive in, you can open a account with fidelity, and you'll be able to invest with as little as $5. And I would do that I would find a company that you're very familiar with, start buying shares, get familiar with that process. And then just understand that this is a long game here. Ideally, you're going to be able to invest for however long you're alive. So keep that in mind when you're thinking about I know we always think about, okay, how can I turn this 100 bucks and the 200 bucks next year, it's like, wait a minute, we're not just investing for the next six months or a year, we're not getting a grade in school.

This is a lifetime endeavor. So you think that five bucks, even five bucks, there isn't much or 100 bucks here 100 bucks, there isn't much. But over time over a lifetime, it can become a lot and especially if you make it into a habit. So I would start simple and then just have the mindset that I'm gonna keep doing this. I'm gonna keep putting them more and more and understand that as you get older, hopefully, you can have more and more money to put in and that's just gonna snowball.

Dave

9:49

I totally agree. Here's what I think I would probably recommend. First of all, you can do it. Number two, anybody can invest. There's a million In different options, and don't let that overwhelm you, I'm saying that to encourage you that there's many different ways to start. And you don't have to start just one way. And you don't have to have lots and lots of money to start, like Andrew said, you can start with as little as $5.

And opening a brokerage account, whether it's with Schwab or fidelity, those are the two that we like the best, there's no fee to do that. It's free. And it takes literally five minutes. And it's very easy to do. And I think the biggest thing is start dive in and jump in, step off the ledge, whatever acronym, whatever phrase encourages you to do it by something doesn't matter what it is. And it could be anything from the company that you work for, to your best friend's favorite food place to, you know, Starbucks, it could be anything, just buy something.

And once you do that, and you have skin in the game, then you'll start to do realize that there's like Andrew said, this is a long game, there's more to this than just picking stocks, you need to set a habit as a young person starting out, I would encourage you to make a budget. And as part of your budget, set aside some money to start investing, if you don't have a lot, and $5 is literally all you can do, then make it five bucks, make it a habit. And by making it a bill, you'll make it a habit. And once it becomes a habit, then it's going to be something that you're going to want to do and continue to do.

And like Andrew said, you know, yeah, the five bucks may sound like a lot. And next year, it's maybe $7. And you think what do you do, I'm not gonna get anywhere with this, but it's like snowball, you start with a little pebble at the top. And by the time it gets to the bottom of the mountain, it's this monstrous snowball. So it's the same thing with investing, that's the power of compounding. And you can start with your 401k, if you're lucky enough to get in a job that has a 401k, that's a fantastic place to start. It's a low pressure, there's not lots of choices to overwhelm you. And it's a very easy way to do it, because they take the money out of your paycheck and you don't even see it. And it also gets you tax benefits.

So there's lots of great ways to do that, if you don't have that option. And then you can open a brokerage account, whether it's a Roth or traditional, and you can do the same thing, you can just set it as a bill, put it in your account and then buy something it can, you don't have to buy individual stocks, either. You can buy ETFs, you can buy an s&p 500, ETF, or anything like that, just to get started.

Those are great investments, they do very, very well over a long period of time. And they will make you money with maybe less risk than trying to buy, you know, catch the next crypto thing or the next AI thing. And those are safer ways to start. And the world is your oyster, when you're starting out, you have so many options. And I encourage you to take the plunge and do it.

Andrew

12:48

Let's say you've taken the plunge. Let's say you bought a stock that was a hot stock, and now it's down. So now maybe you're a little more serious in the game. How would you recommend moving from there?

Dave

13:00

I think the next thing I would probably encourage people to do is once you start having some skin in the game, and maybe the stocks aren't performing as well as you'd like, then I would probably try to find out why. Like start asking that question. Why aren't they doing as well? Why is I picked Activision? Why isn't it doing as well as other gaming companies? Why is EA Sports doing better than Activision?

And just start with asking that question why? Because that's going to open up a whole Pandora's box, if you will, of information that you're going to want to you're going to want to learn about, if you're picking individual stocks, you're going to have to over time learn how those businesses work and how they make money, and what drives people to use their products or services, because that'll go a long ways towards telling you whether it's a good investment or not. Because, again, it all comes back to when you buy Activision, you're buying the company, you're not buying the ticker, you're buying the business. And the business is what drives the performance of the stock. It may not for a week and a may not for a month or two, but for five years, it absolutely will. And so I would encourage you to ask that question.

Why why is Activision not doing as great as is EA Sports or Take Two Interactive? Look at me spitting off all these gaming companies is like I know something I don't like because Andrew has been we've been talking a lot about him. But my point is, is that you can once you start asking questions, then you can start finding research investing for beginners.com You know, shameless plug, fantastic website that we have created with lots of great resources to help you start learning how to analyze a company. And that's really what it comes down to is trying to figure out the engine that drives the company and why people want to use it and what why this is a good company maybe why this is not a good company.

Because sometimes the the first company we may pick may not be a great choice, either and I got lucky and we got Microsoft, which was turned out to be a fantastic choice, but that's not always the case. And When I What was your second pick? What was my second pick? My second pick was Sierra wireless, complete dog. I think I lost 85% on that one. So

Andrew

15:10

and as a crippled your financial future? No.

Dave

15:15

No, it did not cripple my financial future and it did not. It did not discourage me from continuing to invest and learn more about it. It just made me curious, why did this company do so badly when everybody thought it should do great, right. And that just led me into the rabbit hole of trying to figure out why this company wasn't as good of an investment as I may have thought it would be.

Andrew

15:37

So even just by starting to your point, you were able to kind of kick the ball down the field. Yeah. And now, you know, way more than you did back then.

Dave

15:46

Yeah, hopefully, one would hope. So, you

Andrew

15:49

know, it doesn't sound like a lot, right. Like, I talked about this a lot. But I think it's such a good example, I bought Microsoft, because a pure luck, I bought it at $27 a share, and I bought one share today, it's worth something like over 300. And I am buying shares of that now at 300 a share, right? So I'm happy to buy it. The point is like a share today, it'd be might not be a lot now. But it could be a lot in the future, especially if you're in a good business. So it's like, I wish I bought more, obviously.

But if I buy a share, now I feel good about it. Right. But that's the same share, I could have bought paid 10 years ago, right? And years ago, it's the same share, and I'm still feeling good about it. So we don't know what that is 10 years from now. But it could be the stock you're buying. That doesn't seem like a lot. But then 10 years, becomes the stock that everybody wants to buy. Yeah, exactly.

Dave

16:48

Exactly. So I think don't get discouraged if it doesn't do well. And if it does do well, don't get too overhyped. Don't get too confident, don't get too cocky, because the market will humble you very quickly. And that's the thing that we need to always remember is that, you know, it's a complex place. And just because we think it's a great company doesn't always mean it will be a great company. And we just need to continue to try to learn as much as we can from our successes as well as our failures. And over time, you'll learn more and more and more, it's just like, you know, chipping away at an iceberg or you no stone dripping water dripping on stone, it'll eventually make an impression.

Andrew

17:28

So what would be the easy button here? If this stock or that stock sounds like a lot? You mentioned the s&p ETF can use break that down for somebody who's just starting. Yeah. How do you buy it? Yeah, so

Dave

17:41

the stock market has a collection of index funds or ETF funds, which are exchange traded funds. And you can buy pieces of those, that will give you a portion of the s&p 500, for example, which is one of the markets that you can buy the contains 500 of the top businesses in the United States, for example. And so when you buy the s&p 500, through an ETF, which you can buy in your brokerage account, one of the I guess, two of the most common tickers that you can buy, which would represent an s&p 500 ETF would be SP y, or vo O and you buy both of those, either one of those, and then you get a portion you get you're buying the s&p 500.

And that includes companies like Apple, Google, Microsoft Tesla, you're on and on and on and on. So that's a great way to get started the returns on the s&p 500 over the last 100 years give or take have been between nine to 10% Depending on who you talk to in which study you look at. So those are great returns, and you can easily buy them and you can just continue to buy them, it's going to give you a lot of diversification, you get to partake in the growth of the economy, the United States, which right now is the best in the world. And so

there's lots of advantages of that they pay dividends, you can reinvest those dividends to help grow your investment more and more.

And so that's a very easy way to do it. And you can just literally buy it through your brokerage account. So it's not you don't have to go anywhere special. You can go to Fidelity and you can buy SP y, and you can buy Bo if you want to use those as a way to get started.

Andrew

19:16

And that's I feel like we skate over this so much because we forget, sometimes it's like you can with those $5 You don't have to have enough to buy a whole share. You're just gonna buy a little piece of that. And then you can continue doing that over time. So you don't have to have $400 to buy a share. You can buy little partial shares. Yep, that's something that wasn't around 10 years ago when I started

Dave

19:39

No, me either. No, you know, if you wanted to, you know, Google was trading in the 1000s. So it was Amazon. If you wanted to buy a piece of Amazon you had to save up a couple 1000 bucks just buy one share. You know, they've done a stock split since but still you could buy before they did the split. You could buy partial shares of that notes. I mean, that's amazing. It makes it easy for, you know, people to get started. For sure. Alright, so last question. So we have what metrics should we look at when considering a company's growth? I know you focus on value primarily, but growth I feel is an important aspect to considering when analyzing companies. Thank you, Maddy, this was a great question. What are your thoughts on the growth equation?

Andrew

20:22

I 100%? Agree you have to do it is super important aspect. And it's part of the consideration of value. Because if I have two companies and one's growing more than the other, I'm willing to pay for the company that's growing faster than the one that's growing slower. And if you're not looking at that, then it's going to be tough to win over the long term. So you 100% have to look at growth.

Dave

20:48

Yeah, you absolutely do. And Buffett has said it many, many times throughout his shareholder letters that he considers growth part of the value equation, if you will. And that's what he looks for is companies that you know, are selling for, the value indicates for the company selling for a discount to the price not to its selling to a discount to the growth of the company, or that that's not important. Basically, what it's saying is, you're going to go out, buy a Tesla, instead of spending 50,000.

For the car, you're going to pay 30,000 for it. So that's it's the same idea with buying a stock, you know, it's still a quality company that's growing well, it's just there's a dislocation between what it's worth and what it's selling for in the market. And that's what you're doing when you use value investing. So growth is a very important part of that whole equation. And you need to account for that. So I guess an Ask answers many question, what metrics do you look at to consider revenue growth?

Andrew

21:42

Yeah, revenue growth? That's the answer. Well, that's the start. So revenue growth is good, because you can't have long term growth. Without it, you can, in the short term, you can help with your profit margins, and you can squeeze out more profits.

But at the end of the day, you can only squeeze so much juice out of the fruit. If you don't have revenue growth, you have to have more sales, if you don't have that, you're not going to get sustained long term growth. So I like to look at longer time periods. And try to find some middle ground for those growth rates. So as an example, if a company was growing, let's say it grew, or the percent because they had the huge pandemic thing happened and, and that really helped their sales for a year, you don't want to assume that that's going to continue, especially if the nine years before that they grew closer, the 10%. So you would kind of look at that one year of huge growth as an anomaly.

And figure, okay, I'm gonna assume that this company grows maybe closer to 10%. It's a very simplistic way to look at it, but it actually is kind of close to what I'm doing. Because really, we can't always predict how companies are going to improve their efficiency or improve their profit margins, a lot of that's unknowable. But what we can know is, for example, insurance premiums for cars, although insurance premiums have grown around 5% a year for decades.

So is it reasonable for me to think that Progressive Insurance, which is a company I own get their revenue growth by 5% a year? Have they done it for two decades, I don't see why they can't do it another decade. So that's one component in the growth. And you can kind of break that up a million different ways. But that's

how I kind of like to look at it is give me a longer time horizon. And that could be five years, it'd be 10 years, how has that company grown? Its sales over that time, and then find that middle ground? And then that could be a pretty good measurement for is this a fast grower? Is it the slower grower medium grower? That kind of thing? I mean, that's awesome. So

Dave

23:56

let me I guess, kind of ask a question. How would that pertain to let's say, a company is a younger company is profitable, but it's a younger company, and maybe their growth rates are right now are higher? Okay, let's maybe use this example. Tesla. It's a bigger company, their revenues are, it's a bigger number, but they're still growing at in the 40 50% range. When you're trying to, you know, take that into the equation, it's kind of defying a base rate. And so how do you think about something like that?

Andrew

24:28

That's a great question. So I'm not I'm far from an expert with high growth companies and projecting rates with that. Something I think that could be simple to put you in the ballpark is look at what's the industry's revenue right now. So you can look at for GM, Toyota, although all these companies, how much are they generating in sales? And then how much of that contest will take is Tesla gonna take 99% of SUV sales? and car sales, probably not. So maybe take that down, and maybe they become the number one. So is that 40% of the market is that 30% It'd be any of those things.

But that's kind of where I would look and then kind of back engineer it to say, okay, 40% growth for the next 10 years just is not a possibility, because this is the number that actually is being at that we're actually at now. And then you also want to include the growth of the industry itself. So as an example, as the economy grows, people spend more on cars. So if I think the economy is gonna grow at 5%, for the next 10 years, then you add a 5% over the next 10 years for that whole car industry, and then figure out from there, how much could Tesla take? That's how I would look at it.

Dave

25:48

Oh, that's a great framework. I really liked that. Um, I had not, I guess I hadn't really thought of it that way before. And I think that's actually something I'm gonna steal. I like that, I think that's a smart way to look at it

is, you know, considering some of those factors and also configuring in the competitors, and how that could impact the business as well,

Andrew

26:07

you know, the fanboys will say, Well, I'm not considering the rare earth mining that they're going to be doing as they drill into asteroids. So that's my bad.

Dave

26:16

I'll forgive you this time. We'll forgive you this time.

Andrew

26:22

All right, any other ways to measure growth.

Dave

26:24

So I think, a metric that maybe you can use to help you measure growth that is not super in depth, we had a recent episode with genre tante, talking about ROIC, and that was very in depth. But another metric that you can use is called Return on equity, or ROI II. And that's another efficiency ratio, or ratio that you can use to measure how well a company generates profits from the equity that the company owns. We as shareholders of Apple own the equity of Apple.

And so a return on equity measures the net income or the earnings of the company, compared to the equity, and the more efficiently so ie the higher the ratio. So let's say that Apple has a ROA of 30%. That means that they generate 30 cents for every dollar of equity that they create. And the higher that number is the more earnings that they will generate from the equity of the business. And it's an easy metric to use to see how efficiently a company reinvests and reinvestments are part of how any company is going to grow as one of the choices that as the CEO, or the management team has choices on how they want to spend the money. And aro E is a way of us being able to to measure how well a company invests as well as how efficiently they invest and how wisely they invest.

You know, if they have a really low number, but they keep reinvesting in the company, then you can ask yourself questions like why, you know, that's the in essence, they're throwing our money away, they're burning it up by wasting it on investments when they could eat, where they could just give us a dividend or they could buy back shares as another choice. There's lots of factors that can go into that. But I think the basic premise is, is you could use ROP as a proxy to tell you how well the company is inve

sting. And that should give you an indication of potentially how well they should grow. Because, again, going back to Apple, if it's has aro ease, or returns on equity of 30%, you would anticipate that the company would grow well over a long period of time. And that could be at historical levels, or that could even be better than historical level.

So let's say for example, that their average ROA over the last 10 years is 20% over the last three years, they've been averaging 30%. Well, based on that you could anticipate that maybe you could see a bump in revenue growth over the next few years or in the next few years, based on investments that the company is making that could generate more income for for the company, they could be creating a new product, or they could just be making their services that much better and makeup stickier and more like our sample stands, ie me wanting to buy all this stuff. And that's really what it comes down to. So I mean, that's a metric I guess you could use. Did I cover that? Okay.

Andrew

29:27

Oh, yeah. No, that was wonderful. So what's the good Roa? What's not so good? Are we how do you kind of frame those?

Dave

29:34

Yeah, that as in finance, it depends. Generally anything depending on the industry, anything probably over 15 20% is going to be pretty good. And once you start climbing into the 30s 40 percents, then you're seeing outstanding returns, it will depend a little bit on the industry. So for example, banks, for example, ROA is a metric you can use with banks, but those are going to be lower, they're going to be in the 10 12% range. Maybe even if 15% range, and those are going to be the good ones like JP Morgan, for example. But when you get you're looking at why

Andrew

30:05

they only have grown around 10%? Because there always have been so, you know, right, five 10% Because are always are so low.

Dave

30:13

Yeah, yeah, exactly. Exactly. And, you know, conversely, you look at Tech, Ed Tech, and they're they, because of the nature of their businesses, they may have much higher returns on equity than more traditional companies like a Fastenal, or Walmart, or some of those that are more retail based that have lower profit margins. So there's other things that go into this. And it can, as a general rule, anything like 15 20% is going to be good and anything above that, it's going to be amazing. So I think that would be a kind of a good, I guess, benchmark to

Andrew

30:46

start with. And then what about young super young growth companies in ROP,

Dave

30:51

they probably won't have any. This was mostly because, you know, super young companies a perfect case in point is a company called CrowdStrike, which is in the internet defense, or internet security business. And it's a very fast growing young company, they've only been public for three, five years.

But the one of the numerator of the formula is net income or earnings, and they don't have any, they're negative. And so you add negative to a positive, you get a negative number math from fourth grade, so they don't have a return on equity, because you can't measure it there, you could you can make adjustments, this might be a touch inside baseball, but you can use instead of using net income, you could use operating income and measure that against the equity of the company.

But this is a big, but if you do something like that, you have to do it with other companies in the same industry. So if you're going to compare CrowdStrike to MongoDB, or Palo Alto Networks, or, you know, data dog, you have to do the exact same adjustment to them so that you can get an even comparison, because some of those companies may be profitable. And so they actually have an ROV and CrowdStrike doesn't. So that would be a way that you could kind of use it as a reference point to see that, okay, you know, hey, there

are return on equities adjusted return on equities if you will measure or match the other ones or are similar. And so you could get a reference point with that, I find

Andrew

32:19

that kind of like a fine balance, you know, I would accept a company with a lower ROA E if it had really high growth rates as far as like revenue growth rates, because you're measuring profitability. And one of the ways to kind of sacrifice profitability is to spend more to try to achieve higher growth. And then on the flip side, if a company had like an ROI of 40, whether it was growing like 2% a year, I would not get excited about that either. And so there is a little bit of a balance to it. But your point is 100% valid, a company with a higher ROI e versus a company with a lower ROI, ie, all else equal is gonna be able to grow much easier.

Dave

33:07

Yeah, but easier. And I guess the one caveat that I'll throw out there about ROI, e ROIC, any metric, there is no one metric fits all, or best metric for everything. A lot of times, you're gonna have to use a combination of different things to help you analyze different companies or get snapshots of it. And one of the things about return on equity is it can be skewed by companies using a lot of debt.

And without going into all the nitty gritty of that. It's just something you have to be aware of. And so like Andrew was saying, a company that has an ROI of 40. But they're not growing very fast. That could be because they're taking on so much debt. And the stock market doesn't like that. And so it doesn't give them good returns. And they're not really investing very efficiently because they're using debt. And maybe it's not being done well. There's a lot of different factors that go into that.

And if you're super, super curious about all this, that we're talking about, go to E investing for beginners.com. And we have several articles about return on equity. And there's also one that I'd like you to take a look at, too, is called the DuPont theory, or DuPont analysis. It's a little advanced. So if, if you're not quite sure on what's going on, they'll give it a read. And you can try to do some more research on it. But it really breaks down the return on equity formula and kind of what drives the returns on equity. And if that's something that really interests you is a great deep dive into return on equity.

Andrew

34:34

I highly recommend that if you think Dave's good on the mic, which he obviously is a master at you should read his writing because hard to believe that he's even better as a writer. So if you're missing out if you're not reading this stuff, thanks.

Dave

34:47

Thank you. Alright folks, well with that we will go ahead and wrap up our show for this week. Don't forget to subscribe to our show on your preferred podcast app if you enjoyed our little show. If you would kindly consider giving us a review. It greatly helps us No. And don't forget to browse the incredible materials we've created for you e investing for beginners.com You can learn more about return on equity for example, hint in last week continue growing your knowledge and investing for beginners outs insider with insights and educational tips delivered right to your inbox for free sign up today. And with that, we will go ahead and sign us off you guys go out there and invest with a margin of safety emphasis on the safety. Have a great week and we'll cocktail next week

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