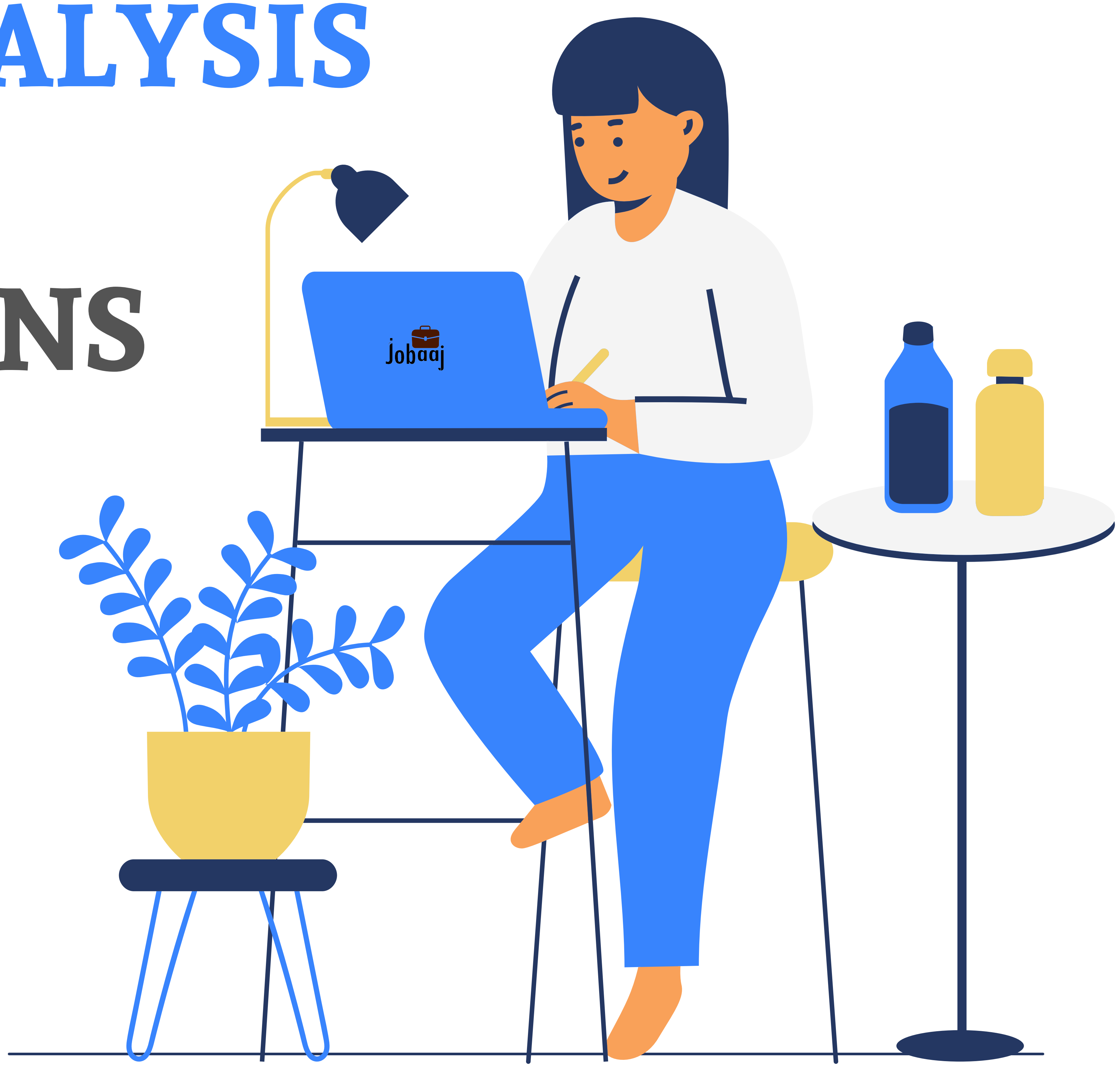
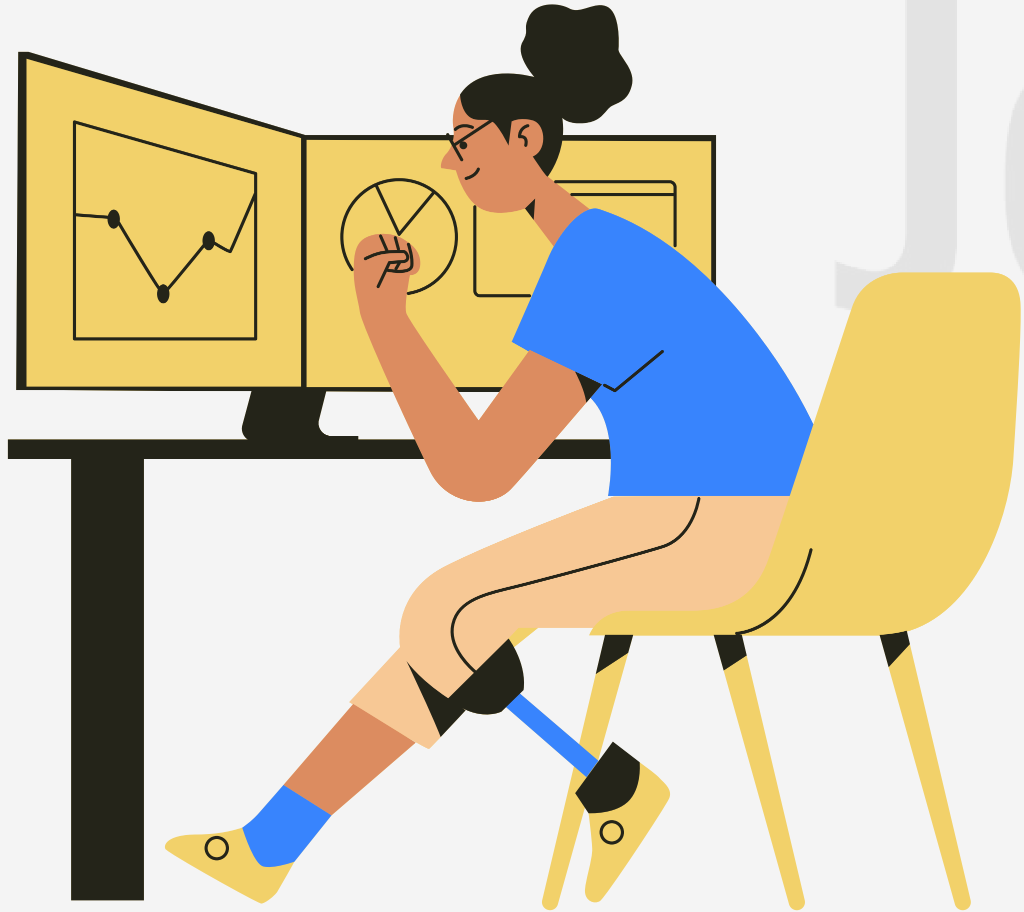
FUNDAMENTAL ANALYSIS COMPLETE GUIDE FOR THE VALUATIONS



Fundamental Analysis

Fundamental analysis examines a company's balance sheet, income statement, and cash flow statement to shed light on the company's potential future performance. Understanding how the balance sheet, income statement, and cash flow statement may fit and be studied together is the main objective of this study.



- Not everyone has a credit card or bank account,
- Our ability to determine whether stock prices are higher or lower than their true value is made possible by fundamental analysis.
- The stock is judged undervalued and a buy recommendation is made if the fair market value is greater than the current market price.
- The stock is considered overvalued if the fair market value is less than the market price, and if it is held, it may be advised not to buy or to sell.

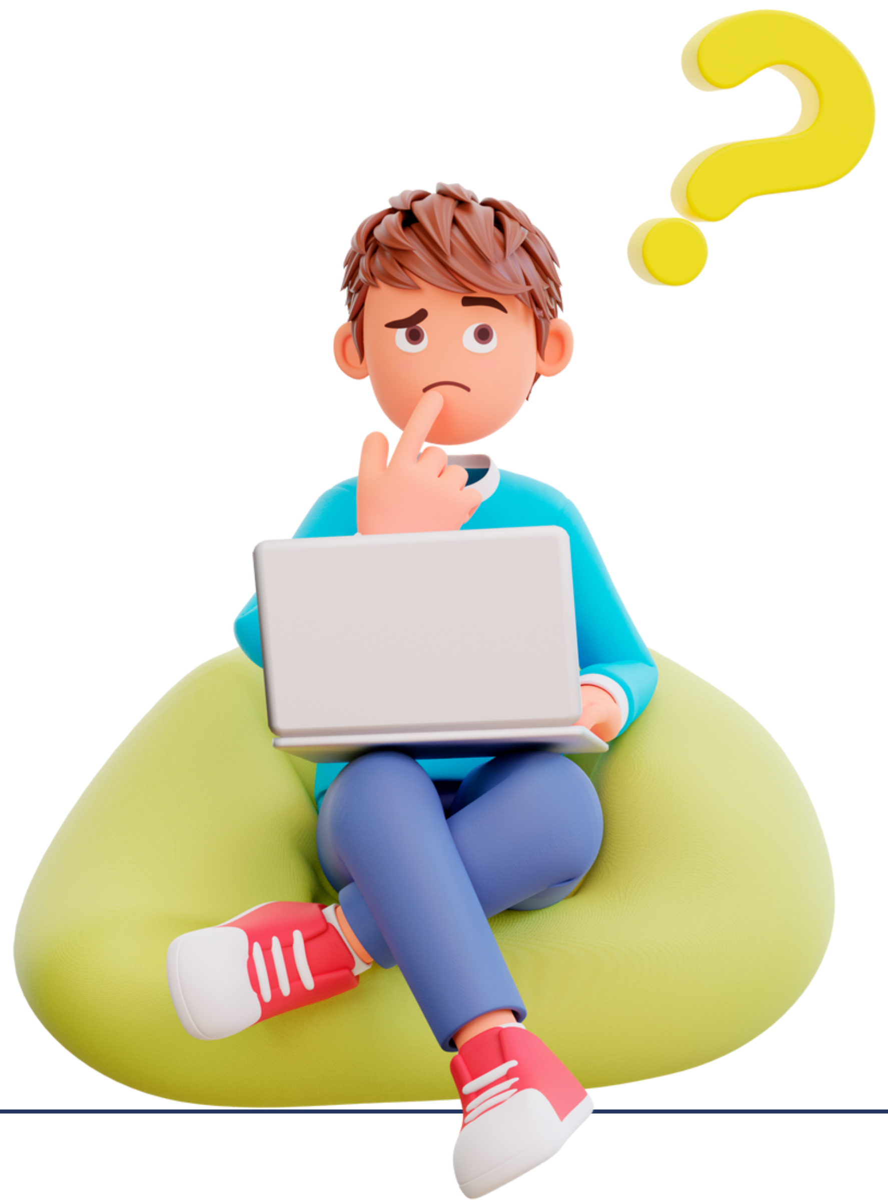
When performing fundamental analysis, what factors need to be taken into account.

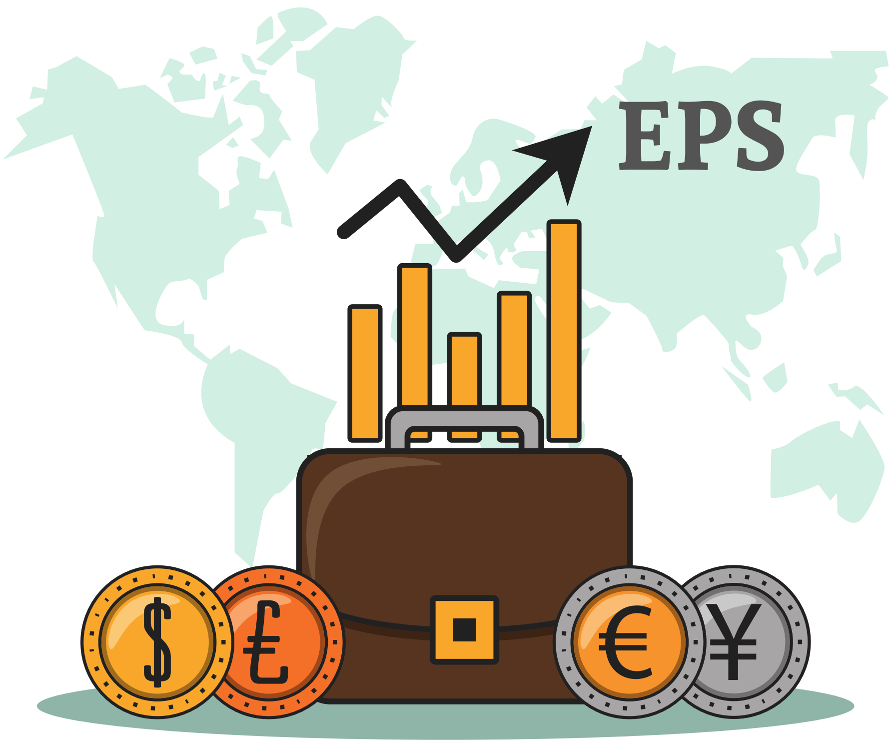
1. Recognizing the Business

A company's industry should also be taken into account, including its clientele, market share among rival businesses, rate of industry expansion, level of competition, legal restrictions, and business cycles. An investor's comprehension of a company's financial health will be enhanced by learning how the sector operates.

2. Earnings per Share (EPS)

EPS indicates the company's profitability by showing how much money a business makes for each share of its stock.





Earnings per share=Net Income after Tax / Total Number of Outstanding Shares.

The idea is that the higher the EPS value, the more profitable the business is.

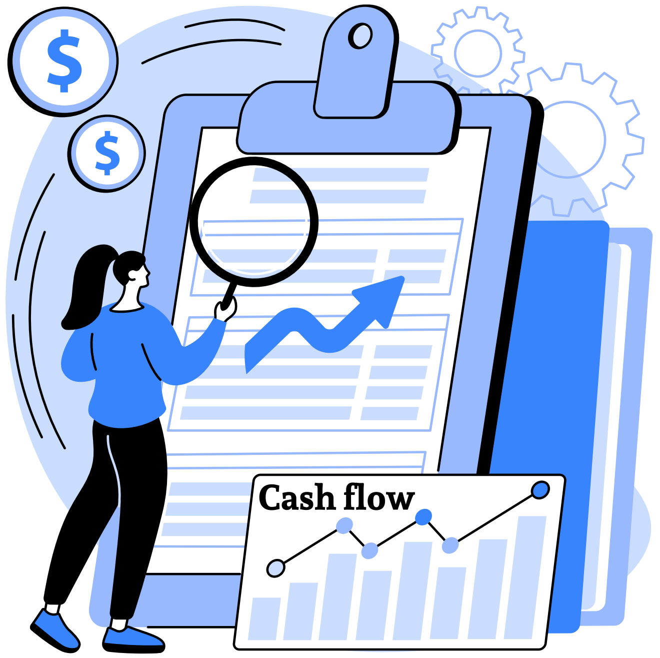
3. Return on Equity

Return on equity (ROE) indicates how effectively a business makes money for its shareholders. It is determined by comparing the net income of the company to the equity value of its owners.

ROE = Net Income / Shareholder Equity.

4. Cash flow from Operations

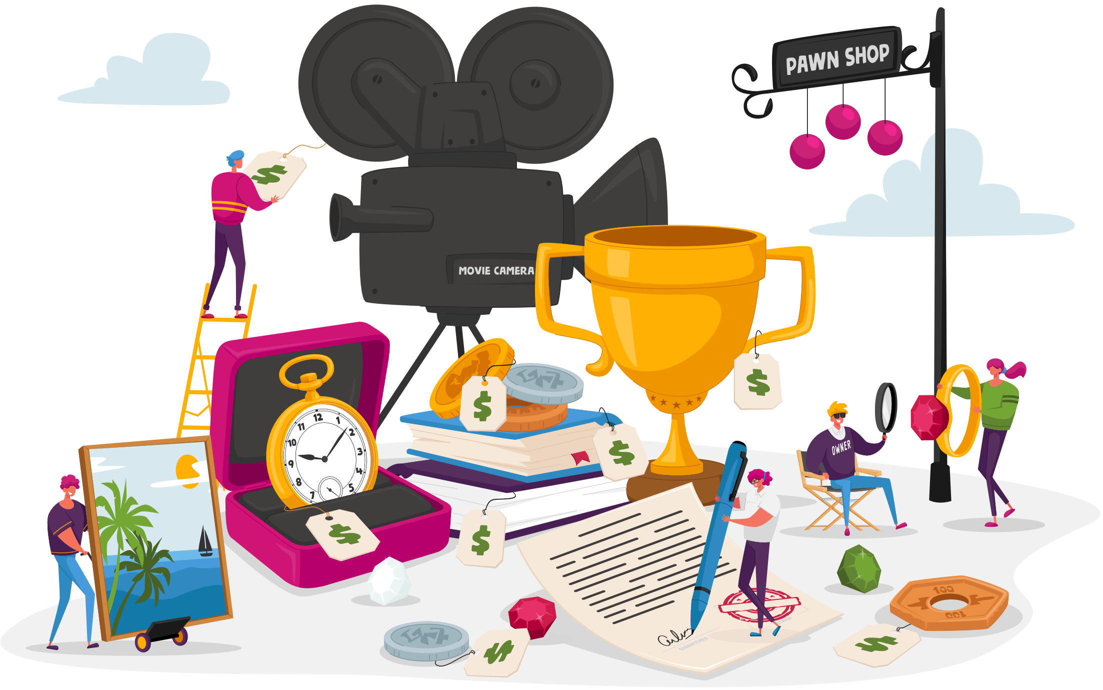
The cash flow from operations (CFO), as the name implies, keeps track of the amount of cash that comes in and goes out of a company's regular business operations.



5. Return on Assets

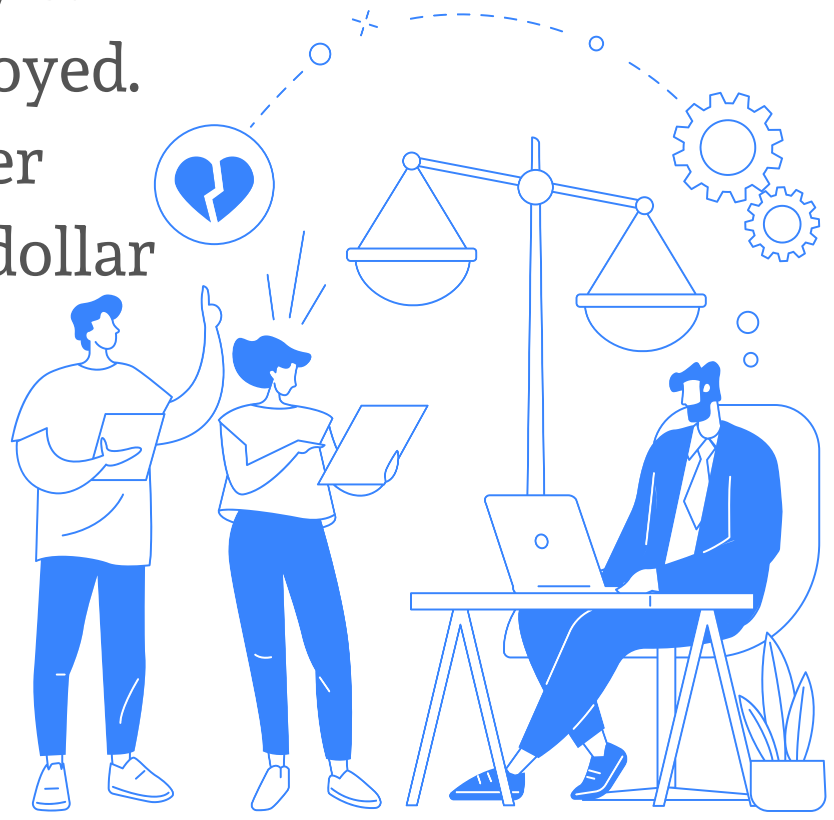
The Return on Assets (ROA) is a profitability metric that measures the efficiency at which a company can utilize its assets to generate more net earnings.

$$\text{Return on Assets (ROA)} = \frac{\text{NET INCOME}}{\text{Avg. Total Assets}}$$



6. Return on Capital Employed

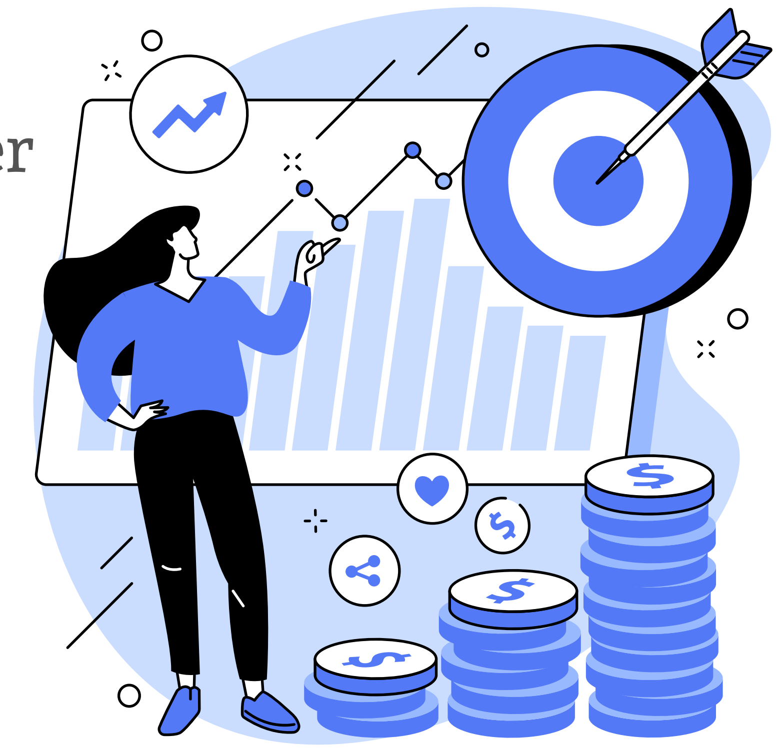
The return on capital employed ratio, often known as ROCE, analyses how well a company can create profits from its capital employed by comparing net operating profit to capital employed. It demonstrates how much profit is generated for each dollar of employed capital. A greater ratio would obviously be better since it signifies that more earnings are made from every dollar invested in capital.



7. Price/Earnings ratio

Investors can find out how much a firm is worth by using the price/earnings ratio, or P/E ratio. The P/E ratio is simply the stock price divided by the company's earnings per share for a given time period, such as the previous 12 months. How much investors will pay per share for $1 of earnings is expressed by the price/earnings ratio.

The P/E ratio shows how much growth investors expect from companies they invest in. A high ratio indicates that investors are paying much more per share than the company is earning, which is common in new businesses with a lot of investment capital, like tech start-ups. Lower ratios indicate that growth has slowed, but that doesn't necessarily mean the company is failing; in fact, a lower P/E ratio may mean the company has solidified its market share.



$$\text{PE Ratio Formula} = \frac{\text{Price per share}}{\text{Earning Per share}}$$

7. Price to Book Value (P/BV) Ratio

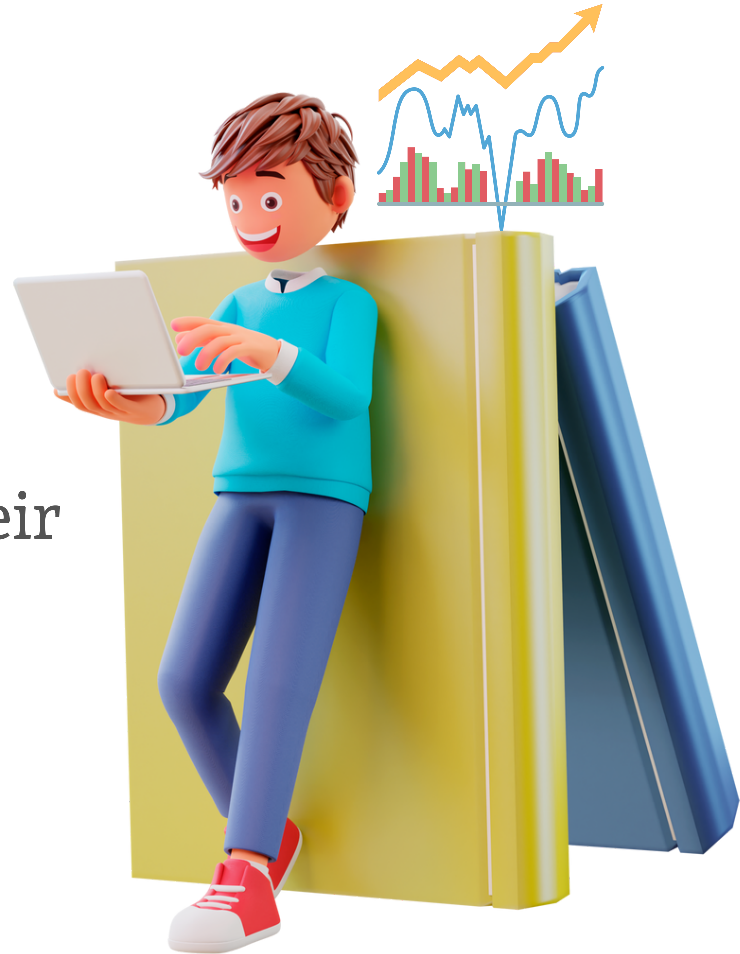
The price-to-book (P/B) ratio assesses how much a firm is worth in the market in comparison to its book value. Usually, a company's book value is lower than its market value of equity. Value investors use the price-to-book ratio to find potential investments. Value investors often view investments with P/B ratios below 1 as excellent opportunities

8. Stock Valuation

The most important skill for investors to master in order to identify whether a stock is now overvalued or underpriced in light of a company's performance and growth expectations is stock valuation and this valuation is based on different valuation methods but most commonly used methods are Discounted Cashflow Method, Relative Valuation Method.

- Discounted cash flow (DCF)-A method of valuation known as discounted cash flow (DCF) is used to estimate the value of an investment based on its expected return in the future, or future cash flows. DCF makes it easier to determine the current value of an investment based on expected future returns.

- The term "Relative Valuation Model" refers to a sort of business valuation technique that compares a company's value to that of its rivals or industry peers in order to estimate its financial worth. To calculate a company's value, it uses multiples, averages, ratios, and benchmarks. Investors utilise it as well to decide wisely whether to purchase a company's shares. This model serves as an alternative to the Absolute Value Model, which attempts to determine a company's true value based on its expected future cash flows discounted to their present value without taking into account a company's competitors or industry peers.



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