

What is quality investing

Quality Stock ...

- Uses debt well
- Solvent
- Enough liquidity to cover debts payments
- Well managed assets,
- High profit margin
- A leader among competitors
- Commands brand loyalty
- Debt to assets ratio, lower than the average
- Current ratio, greater than the average
- Return on assets, greater than the average
- Net profit margin, greater than the average
- Asset turnover, in days less than the average

$$\text{Dividend payout ratio} = \frac{\text{Dividend per share}}{\text{Earnings per share}}$$

$$\text{Debt ratio} = \frac{\text{Total Debt (long-term and short-term)}}{\text{Total Assets (long-term and short-term)}}$$

$$\text{Current ratio} = \frac{\text{Current assets (i.e. short-term)}}{\text{Current liabilities (i.e. short-term)}}$$

$$\text{Asset turnover (in days)} = \frac{\text{Average total assets} \times 365}{\text{Revenues}}$$

$$\text{Return on assets} = \frac{\text{Profit after taxes}}{\text{Total assets}}$$

$$\text{Return on equity} = \frac{\text{Profit after taxes}}{\text{Shareholder's equity}}$$

$$\text{Profit margin} = \frac{\text{Profit after taxes}}{\text{Revenues}}$$

$$\text{Quick ratio} = \frac{\text{Current assets - inventories}}{\text{Current liabilities}}$$

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Ratio	All industries	Agriculture, forestry, fisheries	Mining	Construction	Manufacturing	Transportation	Wholesale	Retail	Finance	Services
Debt/assets	0.64	0.46	0.63	0.59	0.54	0.66	0.66	0.69	0.83	0.67
Debt/equity	0.79	0.22	0.23	1.15	0.54	1.37	0.94	0.88	2.66	0.50
Interest coverage EBIT/Interest	1.76	-0.02	-3.48	5.55	0.62	2.84	2.10	3.30	2.71	-0.10
Current assets/current liabilities	1.55	1.51	0.84	1.56	2.18	0.97	1.71	1.21	1.34	1.19
Quick Cash & Near cash/current liabilities	1.07	0.77	0.84	1.15	1.30	0.69	0.92	0.46	1.22	1.07
Cash/current liabilities	0.40	0.13	0.16	0.25	0.60	0.16	0.10	0.17	0.98	0.37
Profit margin, Net profits/sales	2.55%	0.92%	-40.07%	2.63%	0.35%	5.43%	0.97%	2.13%	15.85%	-2.05%
ROE, Net income/equity	-1.35%	-6.65%	-178.57%	10.62%	-20.35%	8.28%	3.32%	1.90%	9.67%	-33.20%
ROA, Net income/assets	0.68%	-1.98%	-23.48%	5.17%	-4.98%	3.47%	2.15%	4.40%	1.47%	-5.30%
Gross margin, Gross profit/revenue	41.78%	25.35%	27.32%	17.60%	35.57%	45.92%	20.68%	33.57%	88.92%	49.20%
Return on sales, EBIT/revenue	6.48%	2.70%	-30.38%	3.67%	3.07%	12.67%	2.10%	3.53%	34.87%	1.73%
Asset turnover (days) Revenue/assets	515.50	801.50	1105.83	248.33	372.50	755.17	169.67	171.33	4046.00	383.17
Receivables turnover (days) Net receivables/average account receivables	37.83	43.33	47.67	45.17	40.50	35.83	30.17	6.33	24.50	42.17
Inventory turnover (days) Sales/average inventory	53.17	98.50	29.33	9.83	67.83	19.50	41.83	39.67	24.83	15.83
Dividend payout ratio, Dividends per share	0.26	0.23	0.04	0.12	0.21	0.31	0.21	0.30	0.37	