Twitter Thread by LearnLifeWealthTravel | Dream Big, Think Growth !!



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@AnyBodyCanFly

Thread - How to spot a potential multibagger

Multiple fundamental parameters however we cannot be rigid on any of these parameters.

Be flexible to interpret things from bigger picture point of view.

Input 1 ~ No doubt on business survival

Come whatever event (health crisis, economic bubbles, economic recessions, political events, etc.), there should not be any doubt on business survival.

Earlier it used to be only food companies into this category, but now there are many.

Input 2 ~ Visible & sustainable growth potential

At any point of time, we can think with a certain common sense approach that if management wants, there can be a sustainable growth at any point of time.

Obviously this growth may come thru innovation, optimization, etc.

Input 3 ~ Management has vision towards growth

Management should be forward looking, should be able to read into future to build right growth avenues, should be considerate towards every stakeholder.

In addition management should be ethical & should have good social image too.

Input 4 ~ Promoter stake>50%

There should be a reasonable skin in the game from promoter.

If in case there is a low promoter stake, then promoter should increase stake at every possible opportunity.

Also pledging should either be zero or minimal.

Input 5 ~ Debt zero or going towards zero

Debt is becoming a dirtier word at individual as well as at corporate level.

Lower the debt, better the valuations.

Input 6 ~ Increasing cash flow

At the most fundamental level, a company's ability to create value for shareholders is determined by its ability to generate positive cash flows, or more specifically, maximize long-term free cash flow (FCF)

Input 7 ~ Rare equity dilution

Lesser the equity dilution, better will be the valuations.

Management should avoid the equity dilution at all times. To improve the liquidity, equity dilution is good sometimes however it should be only when the proportionate growth is visible.

Input 8 ~ Reasonable dividend

If company is showing earnings of 100 & giving dividend equivalent of just 10 or less, raise more doubts on such companies before building conviction.

It has been a great learning experience based on this parameter.

Thr shd be good dividend policy

Input 9 ~ Low PE

Lower the price earnings multiple, better multiple returns potential in future.

With the growth in earnings & with every new milestone achievement, PE gets re-rated and then there is usually a multiplier effect on stock price.

Input 10 ~ Association with a brand

If the company is having it's own growing brand or is associated with some client who itself is a brand then that's a big positive.

Read the thread again & build your own process.