

# Five For Friday- Growthy Value with Little Debt

This week, we perform a variation of our screen from early November, ? Small Cap Value with Little Debt.? This version is born from some investors being uncomfortable in the small-cap space, where household names are few and far between. Additionally, it can be difficult for institutions to invest in small caps due to the need for trading liquidity. Using last month?s small-cap screen as an example, we can?t put any stocks in our models simply because we have too much size for the liquidity environment.

Thus, this week?s variation appeals to a broader array of investors by screening for large-cap stocks with little debt and reasonable valuations. We loosened the screen criteria to reflect that large-cap ?value? stocks tend to trade at higher valuations than their small-cap counterparts. The P/E ratio of the S&P 500 index is currently near 25, while the forward P/E ratio is hovering near 20. That said, we adjusted our P/E criteria to look for stocks cheaper than the index. Finally, large-cap stocks tend to utilize more debt in their capital structure, so we raised the Debt-to-Equity threshold to 0.3 from 0.2.

## Scan Criteria

- Market Cap > \$10 billion
- Debt to Equity ratio <.30
- P/E <25
- Forward P/E <20</li>
- EPS Growth Next 5yr Forecast >10%

							EPS	
		Ma	rket Cap	Debt-to-Equity			Growth	
Ticker	Sector	(\$B)		Ratio	P/E	Forward P/E	Next 5y Est	PEG
BRKB	Financials	\$	761.4	0.24	10.0	19.9	23.3%	0.43
ACGL	Financials	\$	29.3	0.18	10.0	10.1	20.6%	0.49
SWKS	Technology	\$	16.3	0.25	16.6	11.8	15.0%	1.10
XOM	Energy	\$	396.4	0.21	9.8	10.2	41.6%	0.24
EG	Financials	\$	16.6	0.27	7.1	6.2	37.3%	0.19

These stocks wouldn?t be considered ?deep value.? ? One could even argue that they generally trade at the higher end of value thresholds. However, in most instances, there?s a sweet spot between stocks with the cheapest valuations and those that perform alongside or better than the market. Screening for the cheapest stocks outright could funnel investors into value traps as often as legitimate value opportunities. It may also introduce a bias towards out-of-favor sectors, as the technology sector (which has driven market gains this year) is biased towards higher valuations. So, while these stocks aren?t the cheapest in the index, they may be less likely to lag the market than some deep-value options.

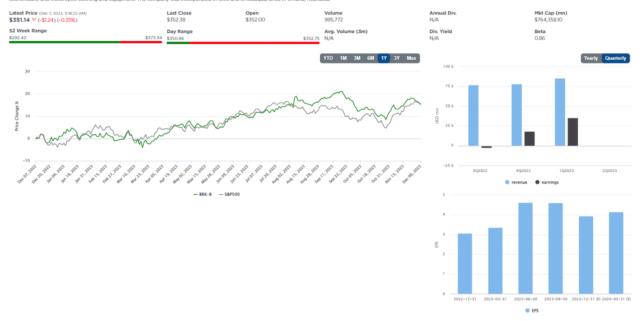
# **Company Summaries**

Berkshire Hathaway Inc. (BRK-B)

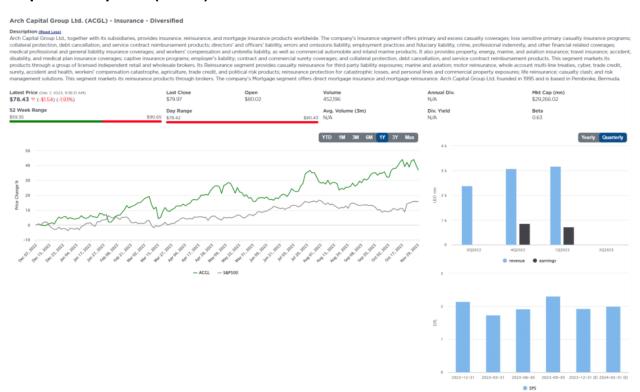
#### Berkshire Hathaway Inc. (BRK-B) - Insurance - Diversified

#### Description (Read Less)

Berkshire Hathaway Inc., through its subsidiaries, engages in the insurance, freight rail transportation, and utility businesses worldwide. It provides property, casualty, life, accident, and health insurance and reinsurance, and operates railroad systems in Strike expectations. The company also generates, transmitts, stores, and distributes electricity from matural gas, coal, wind, solds, hydroelectric, nuclear, and peothermial sources; operates natural gas distribution and storage facilities, interactine pointivity from matural gas estimates pointives, include and profit products; specialty chemicals, metal cutting tools, and components for an applications, filtering products; specialty chemicals, metal cutting tools, and components for an applications, filtering products, as well as alkaline buttering control, and related tending and financial services. Further, it provides recreational vehicles, apparel and footwear products, jewelry, and custom picture framing products, as well as alkaline batteries; castings, forgings, fasteners/fastener systems, aerostructures, and precision company distributes televisions and information; francisis and services service ensurances; distributes electronic components; and offers longities; services, opcorey and foodservices, and professional aviation training and shared aircraft commership programs. It also retails automobiles (turibure bedding, and accessories; household appliances, electronics, and computers; jewelry, watches, crystal, china, stemware, flatware, gifts, and collectibles;



## **Arch Capital Group Ltd. (ACGL)**

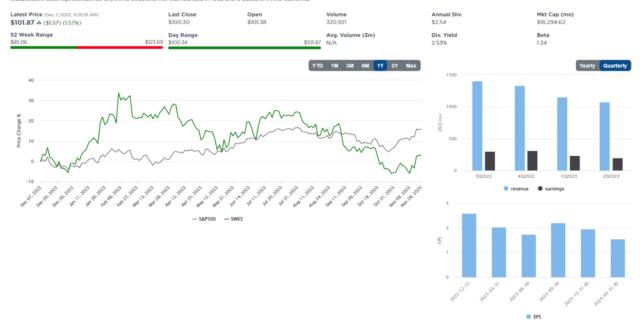


Skyworks Solutions, Inc. (SWKS)

### Skyworks Solutions, Inc. (SWKS) - Semiconductors

#### Description (Read Less)

Skyworks Solutions, Inc., together with its subsidiaries, designs, develops, manufactures, and markets proprietary semiconductor products in the United States, China, South Korea, Taiwan, Europe, the Middle East, Africa, and the rest of Asia-Pacific. Its product portfolio includes amplifiers, antenna tuners, automotive tuners and digital radios, OC/DC converters, demodulators, detectors, diodes, wreless analog system on chip products, directional couplers, developed modules, hybrids, light mainting diode drivers, low noise amplifiers, molerated propriets places, optocouplers/portiosolators, phase slotked loops, phase shifters, power dividers/combiners, power over ethernet, power isolators, receivers, switches, synthesizers, timing devices, voltage controlled oscillators/synthesizers, and voltage regulators. The company products are the used in aerospace, automotive, broadband, cellular infrastructure, connected home, defense, entertainment and gaming, industrial, medical, military, smartphone, tables, and wearable markets. It sells its products through direct sales force, electronic component distributors, and independent sales representatives. Skyworks Solutions, Inc. was founded in 1962 and is based in irvine, California.

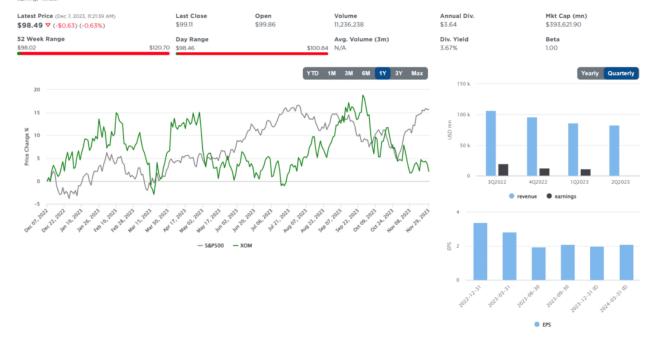


## **Exxon Mobil Corporation (XOM)**

### Exxon Mobil Corporation (XOM) - Oil & Gas Integrated

### Description (Read Less)

Exxon Mobil Corporation engages in the exploration and production of crude oil and natural gas in the United States and internationally. It operates through Upstream, Energy Products, Chemical Products, and Specialty Products segments. The Upstream segment explores for and produces crude oil and natural gas. The Energy Products segment offers fuels, aromatics, and catalysts, as well as licensing services. The Chemical Products segment manufactures and markets petrochemicals including olefins, polyolefins, and intermediates. The Specialty Products segment offers performance products, including lubricants, basestocks, waxes, synthetics, elastomers, and resins. The company is involved in the manufacturing, trade, transport, and sale of crude oil, natural gas, petroleum products, petrochemicals, and other specialty products; and pursuit lower-emission business opportunities including carbon capture and storage, hydrogen, and lower-emission fuels. Exxon Mobil Corporation was founded in 1870 and is headquartered in Spring, Texas.



**Everest Group, Ltd. (EG)** 

# **Five for Friday**

Five for Friday uses stock screens to produce five stocks that we expect will outperform if a particular investment theme plays out in the future. Investment themes may be relevant to the current or expected market, industry and/or economic trends. Investment themes may not always represent our current forecast.

## **Disclosure**

This report is not a recommendation to buy or sell the named securities. We intend to elicit ideas about stocks meeting specific criteria and investment themes. Please read our <u>disclosures</u> carefully and do your own research before investing.