

- The Fundamental diagnostic module ..... p.01
- The Strong Points and Weaknesses ..... p.02
- Detailed information ..... p.02
- Frequently asked questions ..... p.02

## The fundamental **diagnostic module**

### What is it all about?

The art of investment demands excellent timing and an eye for value - everyone knows that. But you must also be able to assess the fundamental quality of the company at any given time, and to understand how that quality reflects the financial health of the company in which you intend to invest. Is it solid? Is it solvent? Is it profitable? Is growth still sufficient?

Keytrade Bank and Triotec have developed a professional tool, easy to use, which automatically analyses the **fundamental quality** of the quoted companies, **summarizes** the relevant information and **interprets** all key data in intelligible language.

### What can I expect from this module?

The module saves time and provides a clear and automatic diagnosis of the fundamental quality of the company.

Many investors reach a dead end in fundamental analysis. They deprive themselves of this important information for a variety of reasons: lack of time, or an inability to understand the financial facts and figures. But the real difficulty always lies in the correct interpretation of the data.

The diagnostic module smoothes over these problems and interprets the results in a language comprehensible to everyone.

### How does the diagnostic module work?

The module consists of a series of quantitative and qualitative tests on the accounts of the company over the last 5 available years (profit and loss account, balance sheet, cash flow). More than 200 financial ratios and indicators are examined in detail, classified, weighted and interpreted.

The quantitative and qualitative evaluation is carried out on the basis of the company's most recent financial results. These results are publicly announced and published in quarterly, half-yearly or annual reports.

### How is the information presented?

The reader is given access to 3 levels of information, from the most immediate to the most detailed:

1. Global Score
2. Strong Points and Weaknesses (Individual Scores)
3. Detailed Information



## 1. The Global Score

### What is the Global Score?

The module automatically calculates a **Global Quality Score**. This is a general score, which reflects the fundamental quality of the company in a single figure. It is the most important figure, since it combines all the conclusions of the analysis. It represents the company's score out of 100 points:

Score	Company quality
More than 80 points	Excellent
Between 70 and 80 points	Very good
Between 60 and 70 points	Good
Between 50 and 60 points	Satisfactory
Between 40 and 50 points	Poor
Between 20 and 40 points	Insufficient
Less than 20 points	Mediocre

In addition, it is also important to have a clear knowledge of the major strong points and weaknesses of the company: these are the **Individual Scores**.

## 2. The Strong Points and Weaknesses (Individual Scores)

### Why the Individual Scores?

Knowing that a company has insufficient quality is all very well, but it is equally (or perhaps even more) important to know exactly what the problem is.

The module delivers individual conclusions on 4 separate themes:

- Is the company well **structured**?
- Is the company **solvent**?
- Is the company **profitable**?
- Is there sufficient **growth**?

The modules calculate a score for each of the above-mentioned themes (structure, solvency, profitability, growth). These scores are interpreted in the same manner as the Global Score.

## 3. Detailed information

### Does the diagnosis go any further than this?

Of course. For each of the above-mentioned themes (structure, solvency, profitability, growth), the user is able to view and assess the strongest and weakest financial ratios.

For each of these, you will find:

- A score
- An interpretation
- The graphic trend of the ratio over the last 5 available years
- A technical explanation of the ratio and its utility for analysis

## 4. Frequently asked Questions

### Why is the financial health of a company so important?

It is essential to know whether the company is in good health, since the future of its stock market quotation depends on it.

Some companies have displayed remarkable stock market performance over the years.

These are companies with:

- Sustained growth
- Exceptional profitability
- A very high degree of financial health

On the other hand, recent financial history is also full of weak, over-indebted and insolvent companies, in declining sectors.

Stock market lessons are costly lessons. Every good investor should retain the reflexes of a good consumer: in other words, always compare price and quality!



### How do you link price and quality in concrete terms?

The clients of Keytrade Bank have at their disposal an expert system perfected by Triotec to value shares automatically: the valuation module.

It is generally accepted that a company is correctly valued when it is quoted at its intrinsic value.

Companies of high quality all have one trait in common: they are more generously valued than others and are quoted well above their intrinsic value. This is because investors are prepared to pay more than the intrinsic value to participate in a first-rate company. There is therefore a quality premium, in addition to intrinsic value.

The following are just a few of the valuation factors, based on the quality of the company:

Global Quality Score	Company Quality	Usual valuation zone
Between 80 and 100 points	Excellent	Strongly valued
Between 60 and 80 points	Good to very good	Slightly overvalued
Between 50 and 60 points	Satisfactory	Correctly valued
Between 20 and 50 points	Insufficient to weak	Cheap
Between 0 and 20 points	Mediocre	Very cheap

### Which is more important: the Global Score, Individual Scores or Detailed Information?

The **Global Quality Score** is a general score. It gives an immediate and complete picture of the quality of the company. You can use this score to make an initial value selection.

However, if you wish to fine-tune your analysis, the **Individual Scores** will inform you about the strong points and weaknesses of the company. These scores allow you to locate possible problems (structure, solvency, profitability, growth). They provide additional information.

If you are not satisfied just to know that a company has a solvency problem, and you wish to know exactly what that problem is, then **Detailed Information** is what you need. This contains the most pertinent information relating to specific problem areas.

### Why analyze structure?

The structure is the skeleton of the company, the basis of everything. Poor structure makes the company more vulnerable to changes in economic conditions. The essential questions raised here are as follows:

- Is the company financially solid?
- Does it have sufficient assets to survive and carry on its activities?
- Is it over-indebted?
- What is its degree of dependence on banks and other creditors?

### Why analyze solvency?

Questions of solvency arise during periods of economic down cooling. Borrowing is sometimes desirable, provided the borrower can pay the interest and repay the principle upon maturity. The essential questions raised here are as follows: Is the company able to bear the burden of its indebtedness? Is the company essentially solvent? Can it still reward its shareholders?

### Why analyze profitability?

Profitability is primary. Selling is all very well, but the main aim of a company is to make profits. A company that creates no added value will quickly lose its lenders and shareholders. A company that makes profits rapidly creates added value and will keep its lenders and shareholders. The question of profitability arises on several levels: the profitability of the business, the employees, the assets, the financial capital tied up in the venture, etc.

### Why analyze growth?

Growth is what keeps companies going. Stock market operators focus on the future. We expect companies to always do more, to continue getting better. To stand still is to go backwards. The essential questions approached here are the following: Are a company's markets growing, mature, or saturated? Does the company show recorded growth in profits?

