

VENDOR PROFILE

Applied Finance Group

The Applied Finance Group (AFG) helps investment advisors and institutional investment firms accurately measure corporate performance and identify mispriced equities. AFG developed its proprietary framework, Economic Margin, to correct distortions created by traditional accounting-based analysis.



AFG provides its clients a clear and robust set of applications to easily compare valuations and corporate performance over time, firms, industries and countries. By understanding differences between a stock's intrinsic value and market price, management effectiveness, and earnings quality, the firm's recommendations can outperform the market regardless of a company's sector, size, or growth/value orientation. AFG's research covers over 25,000 companies around the globe.

PRODUCTS

The Applied Finance Group has a suite of tools and research which is delivered via their web-based platform, AFGView.com. Sample products include:

Stock Valuation Tools - allow clients to understand what kind of performance companies must deliver to justify their price. A user can also quickly build a complete DCF model using our proprietary framework.

Corporate Performance Analysis – a visual snapshot of a company's management strategy and ability to create or destroy shareholder value overtime.

Screening Tools – gives users the ability to identify companies trading above or below their intrinsic value along with incorporating over 1000 different variables. Users also have the ability to focus screens on specific universes such as indices, sectors, industries or their own portfolio.

AFG 50 Portfolio - an actively managed buy list of 50 stocks, designed to outperform its benchmark (S&P 500) while remaining sector-neutral. The AFG 50 Portfolio serves as an outsourced research team, as our analysts monitor each major economic sector to provide our clients with actionable buy ideas backed by detailed models, reports, updates and a backup list for possible replacements within each sector.

Global AFGView – Allows users to analyze a company's intrinsic value and measure its corporate performance using a consistent framework around the world. AFG's framework looks to correct accounting distortions around the world and incorporates country specific discount rates and inflation adjustments.

Excel Add-In Link - Analyze and pull all your models, screens and data into excel for a fully customizable spreadsheet.

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BENEFITS

- Understanding a company's ability to create shareholder value
- Identifying under/over valued companies
- Ability to analyze and compare companies globally
- Access to AFG's proprietary corporate performance and valuation framework
- Buy /Hold /Sell recommendations
- Stock intrinsic value and expectations analysis
- Equity sensitivity analysis and pro-forma builder
- Management quality and wealth creation analysis
- AFG 50 Model Portfolio of S&P 500
- Stock screener
- Excel add-in
- Tools and research to help portfolio managers/analysts focus on investment decision-making.
- And much more

Below are some of the issues with relying solely on the traditional analysis:

Earnings are a poor proxy for economic profitability because they do not accurately reflect the true cash flow of the firm.

On average, corporate earnings represent only 45 to 50 percent of a company's cash flow. Earnings do not reflect risk.

Accounting ratios mix/confuse many different value drivers.

Return on assets/return on equity fail to reflect wealth creation or destruction. Different asset life, asset mix, asset age, capital structure distort ratios across firms.

Accounting rules distort many aspects of economic reality.

Research & development costs, which are long term investments, are immediately expensed under GAAP accounting. Operating leases, obligations which must be paid similar to debt never appear on company balance sheets.

Key questions when evaluating any investment:

How much capital is required? How much capital does the company use in its operations? Is the amount growing or declining through time?

What is the cash flow? How much cash does the company generate per unit of invested capital? Is the company's cash yield increasing or decreasing?

What are the opportunity costs of capital? In the current marketplace, what should the average investor expect as a return for an investment given its risk?

CONTACT INFORMATION

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