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Musings

#44: Using Public Company Comps May 5, 2020

Some tactical advice today. Often when running a business, you would love to have an inside look at another company in your space. What is their ebit margin? How much do they spend on capex? Obviously, you cannot do this with privately-held companies. However, securities laws allow you to do this with public companies. Take advantage of that source of information and learn what a specific company is doing or what is going on in a market. Here is how.

Let's start with "earnings season" which we are in the middle of right now. Every company which has publicly-traded securities must file information with the SEC on the prior quarter's earnings. For the first quarter of this year (ending March 31), most companies take a couple of weeks to close the books and earnings are announced from Mid-April to May 15 (the 45 day deadline). Most companies do telephone calls with analysts that you can listen to (or read a transcript from a free service like Seeking Alpha) and some will create presentations. You can use this to get insights on a market (for example, what is going on with the growth rate in Amazon's cloud business called AWS).

Publicly-traded companies must also share material information with the general public under Regulation FD. So each company has an "investor relations" section of their website where they will post things like presentations made at industry conferences. This is also where they will post recordings of their earnings calls. For instance, here is the link to Facebook's investor relations page and their earnings release [Facebook Q1 earnings](#)

Publicly-traded companies have to do filings with the SEC every quarter and when major things happen. These filings are all available through the SEC website (sec.gov) and their EDGAR document retrieval system. You can look up an issuer and it will give you links to all of their filings. Here are the ones to focus on:

10K – this is the lengthy annual report which must be filed within 90 days of the end of the company's fiscal year. Look at the business description and Management's Discussion & Analysis ("M,D&A") sections. Exhibits also contain things like material contracts

10Q – this is the quarterly report that must be filed within 45 days of the end of the quarter. It will give most recent quarter's financial performance and M,D&A.

8K – this is the "special event" report that must be filed within a couple days of anything major.

I recommend you establish a list of public companies relevant to your area and track them. Set up your Google alerts to get any press releases they put out, list to their earnings calls and read their SEC filings. You will learn a lot.

Be safe. Happy Cinco de Mayo. In case you were wondering, Cinco de Mayo, also called Anniversary of the Battle of Puebla, celebrates the Mexican Army's victory in 1862 over the French forces of Napoleon III.

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Second Thoughts

Yesterday, I wrote about serving as an ethical beacon. Compliments to Daniel O'Day, Chairman and Chief Executive Officer at Gilead Sciences, who shared that they have donated their entire supply of Remdesivir to the U.S. government, which will determine which cities are "most vulnerable and where the patients are that need this medicine."

In Musing #35, I wrote about opportunities due to Covid-19 and what to avoid. J.Crew has declared bankruptcy and Warren Buffet has sold all of his airlines stocks. Validation of the third bucket referenced by Jim Cramer in that musing.

On our need to be more surgical about restrictions, an interesting data point in Illinois. 44% of deaths from coronavirus are in nursing homes. [nursing homes 44%](#)