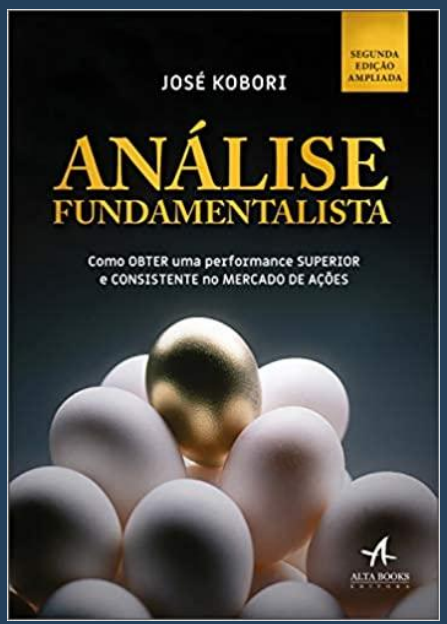

Análise Fundamentalista

Year of publication: 2019
Author: Jose Kobori
208 pages
Link for purchase: https://amzn.to/3q7e1xa

Written by José Kobori, "Análise Fundamentalista", "Fundamental Analysis" in free translation, is a guide to learn about the main financial tools in the analysis of companies, as well as to invest in the stock market safely.
The book was published on 28 May 2019, by Alta Books, and it has 183 pages that will help you analyze risk and return, understand business financial statements, as well as the cash flow. By reading it, you will be able to analyze financially whether the stock you want to buy is worth it, considering the business finances.

Score

8

9 Aplicability
7 Inspiration
7 Innovation
9 Impact on results
9 Structure

Main ideas of the book

- Understand the economic environment to invest safely;
- The macroeconomic tripod can influence business;
- Capital gain or loss is the change in the price of the asset in the period evaluated;
- The risk is the probability of not achieving the expected result;
- The value of a company is its ability to generate profits;
- Analysis of corporate finance results to support the decision;
- Cash flow must create value;
- Profitability is underpinned by long-term competitive advantage.
- Market forces influence earnings;
- Adjustment of the volatility coefficient to reality.

To whom is this book indicated?

For beginners who want to understand financial concepts and valuation models in a simple way, with direct approaches to the tools used by the market.
"Fundamental Analysis" is also suitable for those who already have a knowledge of equity, as well as for those who would like to learn.
It is an introductory book that will give you an in-depth knowledge on how to evaluate the stocks you want to buy.

Overview of the book

Overview: What is important to understand

In this first part, the author presents the macroeconomic tripod and how it influences investment decisions:

- Inflation targeting: used to control the monetary value of the economy;
- Floating exchange rate: letting the USD exchange rate against the BRL be determined by supply and demand;
- Primary surplus: the positive balance between revenue and expenditure.

José Kobori demonstrates how each aspect of this tripod can impact the return on capital, teaching simple and well-known ways to calculate it.
The book "Fundamental Analysis" also raises the evolution of the concept of risk, which analyzes the variation around the average, brings the difference between systematic risk and specific risk, and teaches the concepts of liquidity, average maturity, and operating cycle.
After studying all these points, the author presents what it is and how to calculate the Capital Asset Pricing Model (CAPM), Weighted Average Cost of Capital (WACC), as well as the perpetuity and interpretation of Beta, the volatility coefficient.

Overview: Understanding the Financial Statements

As Warren Buffett says, accounting is the perfect language of business, so you can't help but learn it. This next part of the book "Fundamental Analysis" helps you understand Balance Sheets, as well as their groups and subgroups.
You will also learn how to evaluate income statements, the various types of income and profit, such as cash flow statements.
As a result, José Kobori also teaches that assessing a company's health as to the willingness to pay its debts is necessary, as this reflects the company's performance and impacts its stocks.
In short, this is a more mathematical and easy to understand part of how you can evaluate your potential stakes in companies, with very didactic examples of how to calculate important accounting tools to succeed.

Overview: Companies Must Create Value

But what is the most used method for assessing the value of a company? To answer this question, José Kobori considers a research by Apimec (Association of Capital Market Investment Analysts and Professionals).
The research presented the two most used methods: discounted cash flow (DCF) and the comparables method (or multiples method). The first one uses the tools from the previous chapters for its projection, as well as calculating the need for working capital and determining the cost of capital.
The need for working capital reflects the payment term given to customers compared to the receipt period from suppliers. That is why Kobori affirms that one should not be calm only with a positive balance because it is necessary to verify the relationship between these terms.
This third part will make you understand by accounting grounds whether the stock price is consistent with the company's market value. And above all, how it came to that value.
As you may have realized, "Fundamental Analysis" is a financial injection to help you not buy good-looking stocks that may be sick.

Overview: Competitive Advantage

But what guarantees greater assertiveness of the projections learned so far? José Kobori argues that uncertainties may cause deviations from the desired values, but the long-term competitive advantage can reduce this problem.
The author states that the determinant of profitability is company competition. Therefore, observing the new entrants, the rivalry between companies, as well as the negotiating power of suppliers and buyers, are points that Kobori cites as necessary.
Thus, the expected return goes far beyond financial tools, it also depends on the forces presented earlier so that they don't become threats to earnings.
Then the author raises business strategies, both generic and competitive to further structure investment decisions.

Overview: Final

This last part of the book "Fundamental Analysis" shows a real case of interpreting an analysis report, raising a company's negative and positive points based on market symptoms.
In it, José Kobori explains that monitoring the performance of the stock market is important, but it is the real results of the companies that give us knowledge to invest.
The author points out that the stock exchange is a trading environment and that the real economy is where companies are operating.
Finally, the book brings a method of adjusting the Beta to reality, the volatility coefficient of the market. For this, it uses the idea of Bottom-Up Beta, which consists of the statistical and individual calculation of each stock.
After this book, your steps towards variable income will be firmer, as you will understand how risky it is to not have knowledge.

What do other authors say about it?

In "The Intelligent Investor", Benjamin Graham explains how to invest in stocks and the characteristics of an investor who knows how to play on the stock market: discipline and consistency. This book presents the reason for not investing in short-term stocks and that success depends on your behavior.

In "Unshakable", Tony Robbins gives one valuable advice: If you're not careful, taxes can easily eliminate 30% or more of your investment returns. Therefore, it is important to pay attention only to the net amount that you will actually be able to keep.

And in "Zurich Axioms", Max Gunther shows you how to invest your money using rules to increase profits and decrease risks, bringing tips from Swiss bankers that are applicable to anyone who wants to invest. It's a book about betting and winning, as it shows that the investor must be cold and rational so as not to "get out".

Okay, but how can I apply this in my life?

- Evaluate the environment you want to invest in;
- Understand how the macroeconomic tripod can impact your decision;
- Analyze the growth stocks of the desired sector;
- Check the advantages that the company has in its sector;
- Want to invest well? Be sure about the financial statements;
- Consider the return, but don't forget to assess the risk;
- Cash flow is a widely used method that can help you;
- Keep an eye on strategies;
- Be aware of competitive advantages.

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