

Warren Buffet's Investment Checklist 1

Doc. Ref.

Project Name :

Revision No. Date /

Business Tenets	Is it covered?	
	YES	NO
Is the business understandable?		
Do you know how the money is made?		
Does the business have a consistent operating history?		
Does the company have favorable long term prospects?		
Is there a big moat around the business (a high threshold of entry)?		
Is it a business that even a dummy could make money in?		
Can current operations be maintained without too much needing to be spent?		
Is the company free to adjust prices to inflation?		
Have you read the annual reports of the main competitors?		

Management Tenets	Is it covered?	
	YES	NO
Is the return on equity adequate?		
Is the company conservatively financed?		
Has the company had a track record of earnings growth in most years above the stock market average?		
Are the profit margins attractive (better than industry)?		
Has the company created at least one dollar of market value for every dollar of earnings retained?		

Management Tenets	Is it covered?	
	YES	NO
Is the value of discounted earnings greater than the current market value?		
Have you discounted at a rate equal or greater than the 10 year bond rate (risk free rate)?		
Have cash flows been based in net income?		

<i>Management Tenets</i>	<i>Is it covered?</i>	
	YES	NO
Has the Management demonstrated a high degree of integrity (honesty)?		
Has the Management demonstrated a high degree of intelligence?		
Has the management demonstrated a high degree of energy?		
Is Management rational?		
Is Management candid with shareholders (evidence in the past of open disclosure to the shareholders when there have been problems)?		
Has Management resisted the temptation to grow quickly by merger?		
Has Management the strength not to follow the institutional imperatives (avoid following current business and sector fads)?		
Has the business been free of a major merger in the last 3 years (many merger failures come out of the woodwork within this period)?		
Are stock options tied to SMT performance rather than organization's performance (if your team wins you do not pay a 0.35 hitter the same as a 0.15 hitter)?		
Are stock options treated as an expense?		