

SEC Documents: A Financial Analyst's Best Friend - Transcript

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She has a master in arts and a master in arts from duke university and a master of information from another university. BOBBI worked in finance for 25 years, mostly as an equity research analyst. Before we get started I'll go through our usual housekeeping reminders. If you have any questions you'd like to ask bob by-or technical issues, use the chat box. I'll keep track of the questions that come in and at the end of the presentation, I'll read them back to Bobbi and she'll respond to each of them. We're also recording today's session and we'll e-mail a link of the recording and slides to everyone that registered for the seminar and we'll send you a certificate of completion. If anyone needs additional certificates because multiple people watched with you, e-mail us along with names and e-mail addresses of those needing certificates. Desktop or laptop users may zoom in on the slide being presented. Click on full screen button on the bottom left and to exit full screen mouse over blue ball to expand and click on blue return button to get back. Finally at the end of the session, we'll be sharing webinar satisfaction survey with you and let you know when the survey is available and the URL will appear in the chat box. We very much appreciate your feedback after the session, including comments on the presentation style and value of the webinar. With that, I'll hand the virtual microphone over to Emily who will -- not Emily. That's her friend. My apologies. Let me hand the microphone over to Bobbi who will take it from here.

Thank you, Joe. I'm pleased to be here. I work at Princeton and they've been a PBO member since 1948 and we have a long commitment of service at Princeton helping not only Princeton students, faculty, and those affiliated with Princeton but anyone who reaches out to us. I'm pleased to have worked with everyone I've worked with. A bit of the session overview. What are the SEC documents, when and why they need to file and what information can you get from the filings? I come to this after having spent about 25 years on wall street writing about the financials of companies and making recommendations to investors as to whether someone should buy, hold, or sell a stock. I needed to justify my opinions based on these kinds of facts and the facts that can be garnered from the SEC documents and they truly are integral to the complete financial system of the United States. So I come to this as having been an equity research analyst turned librarian and I spent about 25 years as a wall street analyst following technical companies. I spent a bit of time with some of the financial data vendors and facts with bloomberg and standard and other venues and I come at this as a financial expert and working in the data industry. I write extensively on the technology industry and how different changes in the industry benefited or hurt other companies in the industry and the evaluations. As the Princeton finance librarians I helped them find the resources they need for independent research and related work to help researchers. I curated the pertinent resources in finance for Princeton university. Accordingly, to know what the important resources are I stay up to date on the trends in financial r research currently from 2017-present, I work with an array of users. Mostly undergrads and graduates but often professors and alumni. Other lines that have related material, as Joe, one of the peers I work off of is the librarians and I work with other industry professional and experience libraries that need a refresher in this area. Now, the SEC's goal is to protect investors, maintain fair and orderly and efficiently markets and facility capitol formation. As part of their mission to create and maintain fair markets, they make sure that all investors have timely access to information. Different countries do this differently. The SEC in the U.S. has more tight rules of timeliness of getting information into the regulatory bodies. Other country has a bit larger time windows and really go through some of that as we go forward. The financial documents that need to be filed are part of the ground work of maintaining fair and orderly markets. The SEC requires filings from

companies that are engaged in the markets while the SEC oversees all different kinds of invest 789s including mutual funds, ETFs, all kinds of securities along that line. The focus of this presentation is going to be about the financial -- about the financial information and SEC documents done by publicly traded companies. Rather than publicly traded mutual funds or exchange traded funds. Go to www.SEC.gov. This is what their website looks like. Because we're talking about specific SEC documents and filings, we're going to focus on that one area where it says filings and it's circled in red here and on their website. Let's move forward here. When you click through on that, you'll see something called Edgar full text search. What we're trying to do is get to the data and the filings that these companies have needed to file with the SEC and there are a handful of ways to do this. As you can see there's a number of different variety where it says search by company, which is down here but just as default, we'll go for the Edgar full text search. You can see that the -- the URL for this is also highlighted in this presentation right at the top here. When you click through on that, you'll see it's recently updated on their site and a new banner for that. The SEC and Edgar allows for both simple and advance semper for full text documentation search going back 20 years. This is important because you may have an inquiry about a company that's no longer public. And it's bit SEC maintaining this data base of records and you're able to go back and look at the information that was known at any particular point in time. That's important because for researchers, you want to make sure you don't have survivorship bias of only looking at the things -- looking back 20 years based on what's available today. The SEC's site allows for full text search going back 20 years on company's that are currently public as well as those that were public back then. I put -- let me go back to here. In where it says search keyword, ticker, company names, CIK, or individual's name, I just put in Microsoft. Company we all know and love. So when you put in Microsoft, you'll end up getting this next screen. It has some defaults here you can mess with but for the sake of today's discussion when discussing what's in different documents and what they can give you, there's no need to go back any real length of time and look at more current ones. You can adjust your filing date, materials filed between different ranges, however I'd like to drill into brows different filing types. There are lots of different documents. As you can see with Microsoft in the last five years, this search returned 809 documents. That's an awful lot of documents for five years. You may want to as you're searching refine your search based on different document type sos if I move forward from here, if you hit view all, you can see it's alphabet soup here with numbers and letters. And you can see on the slide bar, this goes on for a couple pages of just different kinds of regulatory filings. This is overwhelming for anyone and the different kinds of filings for different kinds of companies so if you're for instance the international company that trades on the New York or American exchange, you'll file a different set of documents with the SEC than a company that is domestically headquartered and traded domestically. Similarly, there's a company that's trading nestically and I circled view all and that's the next step. All annual quarterly and current documents, this generally means the company's 10Ks, which are annual reports, 10Qs and quarterlies, and 8Ks which are their current reports or announcements to the world. 8Ks need to be put out when there's a release of information that could change a stock price and will affect how one might view the company's shares. These need to be a bit more timely and we'll go through each of those. Inside are rewards, transactions and ownerships. These are forms three, four and five. We can go through specifically why you might care about those but generally speaking, this lets you track what management is doing, whether or not they're buying and sharing the shares of the company they work at. For many investors, they may track as indicator of support or lack of support of the company based on insider buys and sells. Registration statements and purchases, these are really 424B, 424A. Is-1s, 144s. These are documents related to the registration and sale of shares and S-1 is a registration statement like 424A and Bs are perspectives that are related to the initial public offering of companies. 144 registrations are again related a bit to insiders but will go through that and proxy statements and 14A documents. What do each of these and these commonly used forms and domestically traded companies and I don't know what all of them do. Some of the key ones for financial and the 10Ks are the

annual filings and have financial statements and have discussion by the management teams on the state of the business, what the business is, the risks, notes on financial statements. These documents need to be filed within 60 days of the company's fiscal year end. Not just the calendar year so if a company has a junior end, it needs to be filed pretty much by the end of September. It's time to file and 10Qs are quarterly statements and have the quarterly financials will have some discussion of the results will have the notes on how the financial statements were created and these are SEC filed within 40 days of the annual book quarters. 8Ks are internal reports as I eluded to a little earlier. These reports a number of factors that can trigger a need to file an 8K. The general concept though is that an event occurred where information was released, which is significant to the level that it could affect how shareholders view and might create changes in the company's stock price. These need to be filed within four days and more timely within the other two. The proxies and a couple different forms but these are reports that detail management compensation and management themes and topics voted on and board of directors voting in or out, do you believe they're doing a good job? These items are sent to shareholders in advance of an annual meeting and request that you vote and there'll be a number of items to be voted on. Do you agree with the companies presentation of the board of directors. Interestingly these documents really detail a ton of information about the company that really only comes out once a year. The S-1 and 424B is -- when a company registers to go public and 1S will have 1 is filed and they're complete and the documents are issued and there's perspective filed. These documents are similar to what's in an annual report but also has some discussion about the offering itself and what the proceeds of cash will be. Information on the management team, who are they and in many cases you invest in a management team and you want to make sure the management team and the biography are things that you believe that this management team and a business plan is presented. Forms 3, 4, 5 and 144s are related to the insiders of a company so the senior management team often the board of directors are buying and selling of shares and the registration of unregistered sale. How, if you see insiders supporting a company, many investors crack this because they believe if the insiders are buying shares that that's a sign that something good will happen and that the shares will go up from those levels. So now these are the most common ones and there's many more and we'll start with this because there's tons of information and let's start with the 10K. Key segments of a 10K and these sides are a bit wordy. Key segments are the 10-K, business, risk factors, management discussion, financials, and notes to the financials, annual reviews have business and jog any segment data and auditor letter. In the annual review, there's not only a discussion of what the company does but the respect torrs are. This is important to understand this is what the company sees as the risk factors and they're the ones doing the workday today, their articulation of the risk factors is important because if you're wanting to be an investor or financial analyst, you need to assess these Ricks and how you place value or detriment on these risks and if you think how you perceive the risk versus value in the analysis and the management discussions are critical because it speaks to the results increase in revenue and where did that come from. You can see it being the start of a trend. But these reports are far more than just the numbers. For instance business segment goes to the business model who are are the buyer R the pricing, the dynamic of the industry and risk factors I find almost more excelling to read. I click the following from DOLBY labs and international sales are over 60% of their revenue. Therefore they're subject to a number of issues because they work internationally and they list 14 different issues because of the large percent of their revenue coming internationally. If you're an investor or analyzing DOLBY, it's important to understand that you need to look broader than the U.S. and your own small world to fully analyze what's going on at this company and what are the factors that might drive revenue or hamper revenue or growth. So moving on, I am picking DOLBY a bit here. DOLBY has a controlling shareholder in that ray DOLBY formed this company and at least in risk factors is that the DOLBY family and stunning power for 99.8% of their class B shares and combine with class A and the DOLBY family maintain control over about 85% of the company. I realize this is not the average company and you invest in that and you're saying you're okay

with the DOLBY family running this company and you're going to be part of it. Because no matter how you vote your proxy statements and if you want to change directors or you want as a shareholder, a partial owner of the company, your portion of ownership of this company is tiny compared to the way DOLBY family. From the outside, DOLBY shares trade freely as any other shares trade but frankly when you read this, you realize that you are joining a family company here. This is not a fully publicly traded company and the majority of votes trade with the family and in is mentioned as a risk factor. It's important as an investor to realize when you're doing evaluation and I'm trying to understand this what the real dynamics are and so any change in voting. Any change in their stock class structure could have great impact in the valuation of this company. Similarly I grabbed, I moved on to the management discussion, and management discussions are critical in that you have a better view of how the management looks at their own business. I grabbed a section from the ANSYS, which is a publicly traded company in Pittsburgh. They create engineering software, simulation software, and how they see their product fitting into the market. What I really like here is how clear they are with their mission statement and how you can understand how they are seeing their market and where their product fits into the market. If you are reading in and understanding where they see themselves, it makes you financial analysts better able to charge how you believe their futures will go and what drivers you're looking at and it's demand is being heightened by 5G rectification, autonomous and these are factors now if you're trying to chart the expected future of the company that you realize you need to look at to project this company's growth. The financial statements are critical and analyzing a company and laying out a company's financials in a spread sheet, very useful and will allow you to see the underlying trends and track over time. It's best to do the layouts with concerts and the business and risk and DNA section. Ment for instance. If a new product is in the process and is about to be released, you'd want to see a company beef you have its sales and marketing expenses and there'd be a huge question in my mind as a financial analyst if they didn't beef up in light of a new product coming to sale and product. You might want to come down a bit unless there's a new product psychoand will you'd want to make sure numbers are matching the content of the documentations and review factor, I'm going to leave here as part of the slides of how all these documents sort of fit together because it's important to understand that the income statement is knitted into the balance sheet and the statements and it's understanding the ebbs and flows and how things flow through the documents is important for you to understand and be able to once you understand, assess the changes of a company and how they are moving through time. That's the 10Ks and annual report and the 10-Ks are auditors and making sure the processes and systems are designed to pull these numbers together are done in adore dance with generally accounting -- with generally accepted accounting principles and you want to see the seasons that thinks consolidated financial statements is presented above fairly and all material respects all position of the company and it's very rare and troubling if you don't see a clean auditor's statement, it means they're calling into question the procedures by which a company collected and is presenting their information, which cast doubt on the validity on these numbers and you want to look at auditor statement and an auditor is presented with complex systems and for instance I found the following given the judgments necessary to determine the allocation between software licensing and post-contract support auditing a high degree of judgment. They're just calling out a lot of judgment being involved in that assessment and it doesn't question the work p being done. Any looked about for one that was a damaged review and I didn't find one. Generally speaking though, read the auditor's statement to find out that they agree with how these numbers are presented. Similarly when laying out the end results, you'll likely lay out the quarterlies and this is important for you to take a look at trends because often the trends are best shown quarter over quarter rather than year over year and even a 12 month basis. Comparing to the fourth quart tore another doesn't make sense and some things need to be reviewed year over year, some things you can review quarter over quarter and just depends on the character of the companies. As I said, laying out the numbers is best done in concert with the discussion of what the company is

trying to do, their business model and wanting to move forward. 8Ks. These disclose material events and information the company chooses or is required to make public. They called change the value of the stock and need to be filed quite promptly and there's fair disclosure of this information to all investors.

You can attend the meeting or cast a proxy vote. There are critical portions to the proxy. Importantly just as managers and CEOs and CFOs run the company, the board of directors direct the company and boards for the management team. This document goes through who are the directors, what are their backgrounds, what are they getting paid? Similarly this document includes a formula and if the company is rewarding its managers on revenue growth, that's something you know to focus on because you know that's how they're compensated. However it's focused on earnings growth or EPS growth, you know financial analysts know that earnings per share can be a bit manipulated if they're for instance sharing by backs because you reduce the ball of shares outstanding so EPS naturally goes up. It's important as an analyst to understand the drivers driving the management team. Similarly if there's a change in control for instance in acquisition, how is management compensated if it's managed. Again, picking on DOLBY. They've allowed DOLBY to use their offices for personal purposes and allowed to use conference rooms or screenings rooms up to ten time as year. The company is still 85% owned by the DOLBY family, this is not surprising. But again, it points out that in many ways DOLBY is still being run a bit as a private company or family owned company. Similarly there's moments of real trust. Similarly this is a real clip and the company was leasing their office space from land -- from an office building owned by the chairman of the board. Now, that's, you know, as an analyst, tough decide if that's okay. Maybe it's an appropriate relationship but maybe you think it's too close and that they're doing self-dealing. I'm not saying there are, but these are the flags and things that are highlights that one would have to look into further to become comfortable with the investigates in this company or placing a value on it. I grabbed the offering information for Irobot and the vacuum company and how much they're getting money and what they plan to do with it. The delta between 10-Ks and document offering and the use of proceeds will be and why are they raising money and this is just a quick summary of what that particular offering looks like. And moving forward, the company goes through the offering process and I just grab add recent IPO. You can see what I put in the red box prior to this offering and no public market for common shares and they'll trade on NASDAQ, which is one of the exchanges and give the ticker symbol. Now importantly, this whole document will go through what's in the 10-K, what the company's business is and what they do and what the risks are to this business and a day before this document and the day before the company was publicly traded and between the S1 was the initial filing and the prospectus was this filing and they created a market for those shares. Importantly S-1 prospectuses are all audited and there's some confidence the materials in these documents or financials in these documents fairly represent the numbers and what the company is doing business wise. So go back to the original mission and fair and efficient markets and I hope you can see by what I've clicked through that all these documents are designed to give the investor more information about what the company does and how it is doing incrementally, and that material is important for anyone for a financial analyst to understand and evaluate what the company was doing and I focused on the specific document and look at a industry, you'd likely start the 10-Qs and 10-Ks of comparable companies. Senior management and what they do and importantly the SEC keeps track of what requires senior management and directors not to trade during certain windows, which is generally two weeks before the end of the quarter till when the company actually reports results, which is usually three weeks after the quarter so there's usually a five to six week period during any quarter that management and directors cannot trade their shares and closing the windows when they can actually trade shares or acquire shares or sell shares and they're required bit SEC to acquire certain information. Forms three, four and five are all cousins to each other and one is an annual filing and one is incremental filing and they'll detail acquisition or disbursement and articulate shares or how much the person received them spent on them. In many

case, these are common things because often shares are how executives are paid and salaries may not be his rat with the lifestyle they want to lead. F. you're sending your children to college, they may liquidate shares. Sometimes it's just diversification. Investors like to keep track of the senior management teams of companies. There's a senior management selling and something as simple as four or five children going to school. However on the payment teams and directors is the behavior. If management has been given a slug of shares that is not currently registered to trade these shares, form 144 is filed and there's so much information and aspect of making insurance and they're not registered and those four forms are very much cousins to each other. I realize I've spent a lot of time talking and buzzing through a vast amount of information. I'm going to pause now and ask for your questions or ask me to illuminate something forward.

Thank you, Bobbi. Great presentation. I was learning a lot here I think. A lot of information we don't usually get in our webinars. Any questions for Bobbi? Here we go. Let's see. NINA asked for insider forms. Is there a deadline?

Yes, there is. I believe it's the same four day limit that E Ps have. If it's a form three, it's a bit longer and that's a new person joining the company and I don't know if it's based on the data of joining or data that they're issued the shares.

The glossy report and posted in annual website.

They don't have to be in there and not enough on the annual report and what happens with the annual report is they'll put two or three glossy pages and highlighting certain things and maybe they open add factory in some place and pictures of the factory and sometimes they'll put a glossy wrapper around the 10K but that's the 10K's an absolute report is optional.

Okay. Thank you. Lynn mentioned slides and the recording. Yes, they'll be available tomorrow on our website, maybe the next day. Recording, slides, closed captioning will all be L. also a shoutout. Wonderful information. Marie, are there ways to extract information and pop late a spread sheet of data?

There are many financial data firms that will let you do this. As I mentioned facts at bloomberg, there's a ton. What I wanted to pause here and show you is it's not just the numbers that are the content of an annual report or a 10K or 10Q but the value of the information that's not just as important. But there are many different data services that can help you with that.

Great. Scott says to ask if I want to find out how much Tim cook gets paid by apple, which is the best filing?

The proxy.

A lot of money. Actually it is a lot of money. What you'll notice in a lot of management cases is they're granted options that vest over many years. So -- but the proxy would be the best place to find that information

information.

Wow, great. Is there a slash of documents over particular interest for historical business history researchers?

Well, I think it depends what you're kind of researching because if you're researching how people are getting paid, the proxies are probably the best, if you're researching what the business practices were of a different time and might be the 10-Ks or want to look at risk factors during a time the country was at war, that might have a different coloring to it, which would also be the 10-K. There's lots of ways to peel that apple.

Thank you. NINA asked how long do you want your company to project growth?

I cover technology companies and I usually went back three to five years but if you think about a technology company three to five years is -- feels like decades compared to let's say a different kind of company. So some of this will be industry specific rather than a straight answer.

Thank you. Derrick asked can anything be learned with a company with late filings, EG, stress, or bad management?

It's easy to read too much into late filings. Sometimes it is absolutely true that there is a problem. And let's say the auditors disagree with how the management put together the financials and basically caused a full stir to re-craft financials. Or it could be something far less sinister. It's important if there is a delay figure out why. Oftentimes it's far more benign and it's not always a horrific problem and sometimes it's -- like I remember once a company changed accounting firms just because part in parcel of something and it just took longer because the new accounting firm just wasn't familiar with the other systems. It's not great but it's not always horrific.

Aaron asked, do you get asked a standard range of questions about this data base or questions too varied.

Regarding the SEC documents, there are so many things that can be pulled from it. And as I said, I really touched on the most common ones. I don't think there is a set list of questions that can be determined from looking at the SEC documents. It can be any range of questions.

Michael asked what is the time frame for reporting acquisitions/murders in

Four days. That's an 8-K event. Usually if you're following a company, they will report an acquisition after the close, which is after 4:00 p.m.. They'll probably be -- depending upon the size of an acquisition if it's of size. They'll probably have a conference call either that night or before the market opens in the morning to let analyst who is are following the company ask their questions and figure out if it's a good thing, if it's cost effective, what it's going to potentially do to the share price, and because that is a current matter that would affect share price, those documents usually in the form of the press release and any slides given during a presentation would be part of 8-K getting to SEV of the announced event.

Derrick asked if there's any way to know if a company is late filing?

Yes, there will be an NT afterwards, not on time. An NT after the document so a 10-K-NT so it is coded. If it's a 10-K/A, that means it was amended. Great. Michael asked are those types of filings from before 20 years ago readily available say the 180s or 19 70s

I was helping a student with a similar question and I've not myself went to find an archive SEC document but if there's the index and pointers to it, it is findable. I haven't done it and I know it exists and it's doable but I can't tell you if it's hard or easy.

Is there a list of alphabet soup items you've shown with the matching description of each abbreviation?

Yes, there is. It's right off the SEC. It says definition of filings. It goes on for 107 or 109 pages.

Any more questions for Bobbi? Ashley put the satisfaction survey in there so please fill that out. This is a terrific presentation and great questions too. Sometimes we don't get many questions but these are great questions. Fascinating. You're getting shoutouts from people. I had some real basic questions and these are elementary but the auditing. Who does the auditing? Is it the SEC or some private accounting group? It'll be an accounting group and the audited letter and the letter from the auditor in the 10Ks and.

You'll get companies that are hiding information and have embarrassing or damaging information and hide it, is that a common thing or rare thing?

I think they do more what I pointed out is hiding in plain sight and no one will read the document.

Okay.

Every -- I may have missed it and all the blaze documents and are they all publicly accessible.

Everybody is publicly accessible.

Thank you.

The deep expertise or kind of layperson or ordinary reference branding these skills and they were part of it.

I haven't done it for years and I learned under -- in fiery conditions, I had to know how to learn to do it quickly.

It's very impressive. It's a fascinating feel and all the shoutouts. Any other questions for Bobbi and actually few minutes left and is have you considered writing a textbook?

This is common information and now the webinar is a foundation and Bobbi coming back and any further questions? Here's one, do you have any other government websites?

I do use other government websites and it's just part of the companies and the SEC is the winner.

great. Any more questions for Bobbi? Do smaller company have to file a 10-K?

Yes, and 10-Qs and 8-Ks and file all the rules and often you'll hear that it's cost prohibitive for small companies to be public and you can see the amount of information may need to disclose. Comeback and

follow up on other topics and you'll know other information about the financial topics. Anymore questions or comments? Still got a bit of time to ask questions.

Told you, Joe, they talk fast.

that was great. Do you know anybody at the SEC that had any contact. If you have any contacts, let me know. I'm done. Go ahead.

The SEC may do webinars, I'm not sure.

I mean, they could do one for us. I try to get them for us. Actually put a link to the SEC and I hear this and I have no idea what it means p. It's SPAs.

Understanding the growth and industry in which they work.

The company getting very hard and they're trading and you'll file similar documents and you'll get inside to that. Otherwise private companies get to stay private.

Yeah, derrick asked any thoughts on gathering information with private companies. Scott says the census is next. I don't know what that means but it sounds good. If you need help with the new census inter-take into interface. I don't know what this means. We have more webinars coming up. Please fill in that satisfaction survey and ask me if we can have a webinar Tuesday, March 30 till the regional policy and online selections and another webinar after that in March and a whole bunch of stuff coming up in April. There may only put a link to the description of SEC forms.

I saw that. You'll see tomorrow and the next day this webinar will be there with the slides and such and you can look at them. What is financial engineering says Marie.

Marie, that is potentially a 45 minute discussion. It's an application of engineering and math and derivative instruments and it's working with finance to match assets to liabilities. It can -- there are many long definitions and how you're referring to financial engineering because it could be many different things. If you want to ship e-mails but I'm happy to chat with you on this further.

That sounds like a future webinar and so many great questions and it's been great to have Bobbi back. It's been great. Any other questions for Bobbi before we close out at 3:00? I think you cover it had all. Fantastic webinar. One last time, Bobbi. Fantastic webinar. Fantastic. Learning what I don't know and need to study up. Thank you one last time. Thank you, audience. Thank you Ashley for great tech support and come on back to the FTLP economy and have a great rest of the day. Thank you.

Thank you.

Bye bye. [Event Concluded]