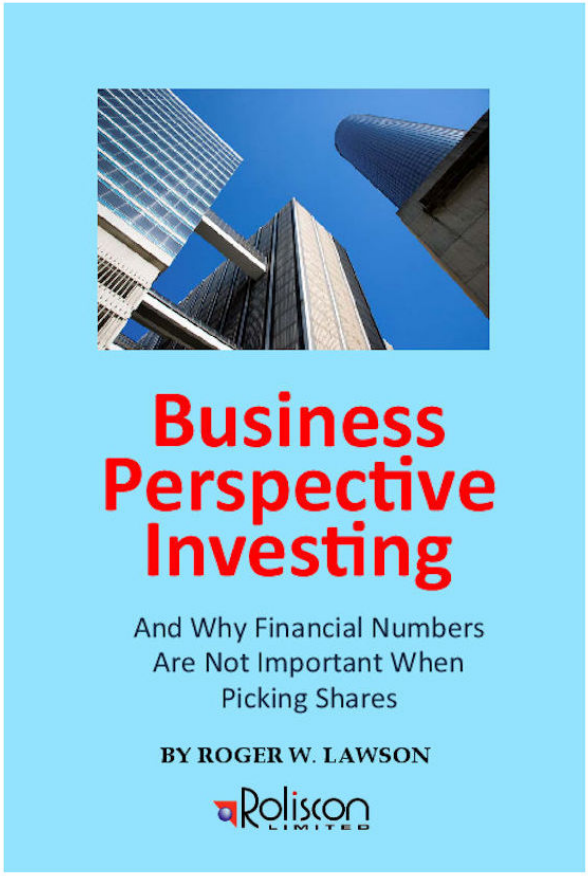
Business Perspective Investing

Roger Lawson

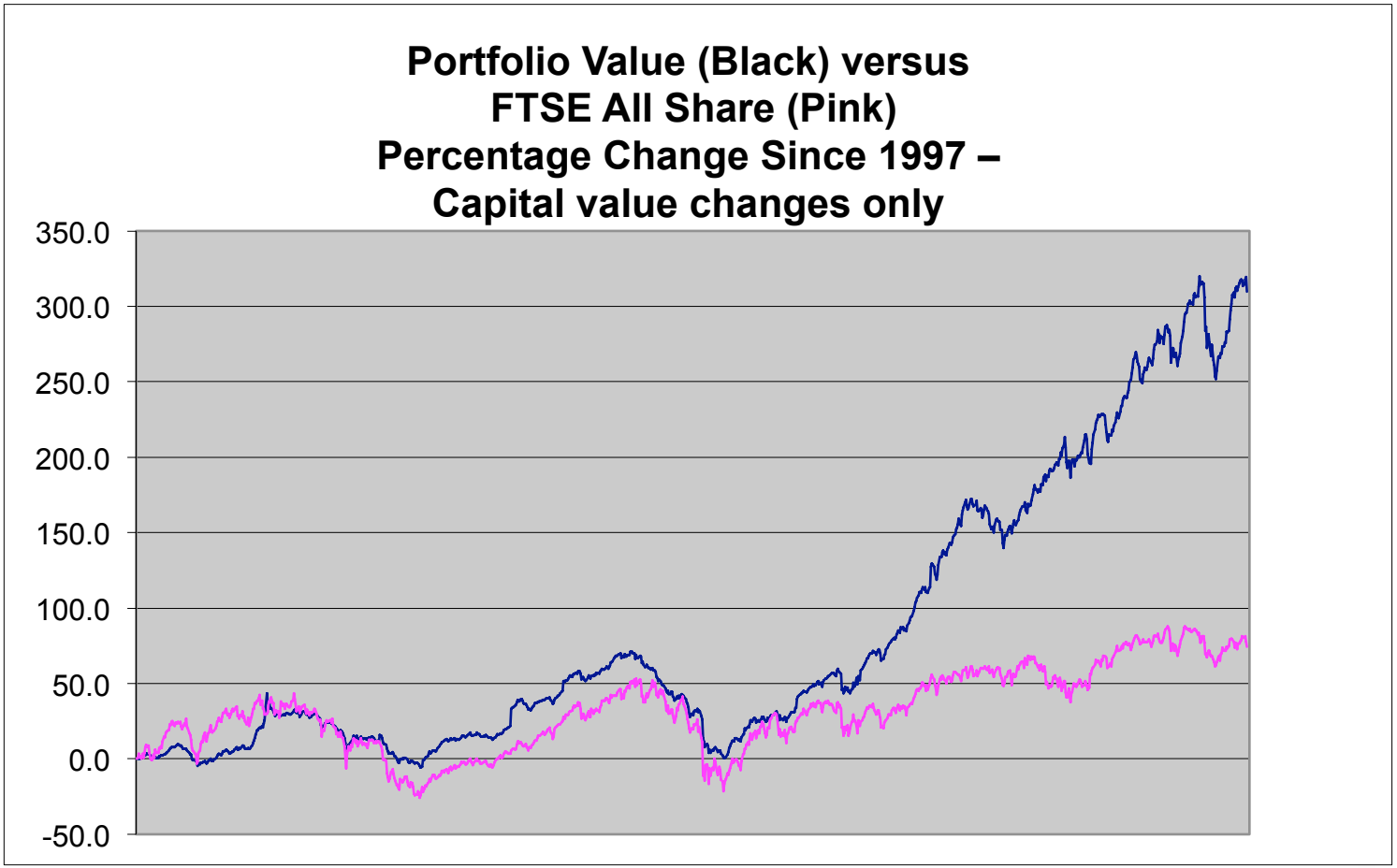
Book Summary



Business Perspective Investing and Why Financial Numbers Are Not Important When Picking Shares

Author Background

Why should anyone pay attention?



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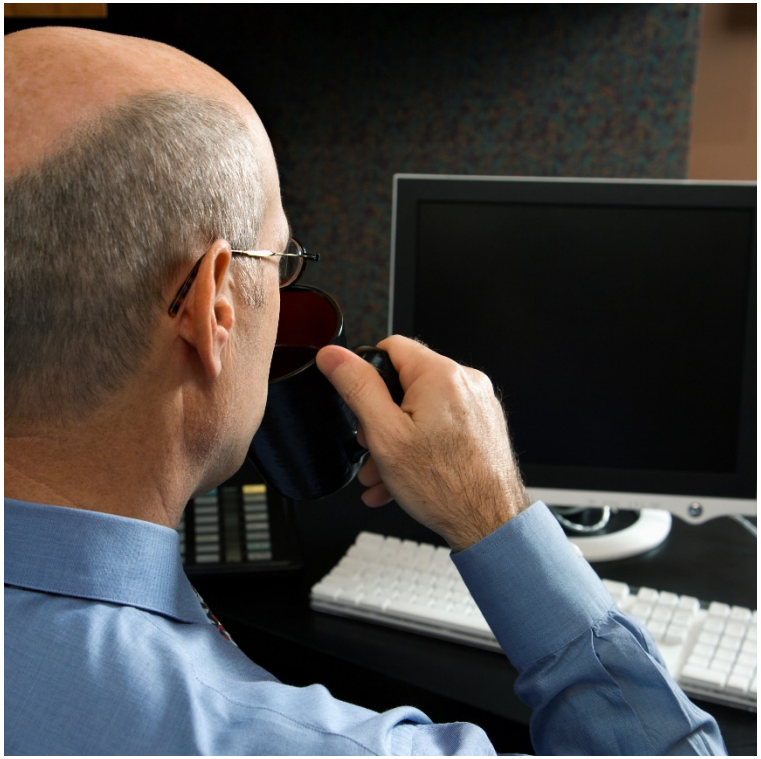
Financial Ratios?

Investors start by looking at financial ratios to pick out good companies to invest in, but that is a mistake.

Heresy you may say, but I'll convince you otherwise.



Dubious Accounts Proliferate

These are just some of the companies where the accounts were misleading, imprudent or downright fraudulent:

Burford Capital, Connaught, NCC Group, Autonomy, Cedar Group, iSoft, Utilitywise, Quindell, Mitie, Conviviality, Amey, Capita, Carillion, Cattles, Healthcare Locums, Erinaceous, Findel, Northern Rock, HBOS, Royal Bank of Scotland (RBS), Torex Retail, Silverdell, Globo, Patisserie, Polly Peck, Maxwell Communications, Enron, Worldcom, ...

Key Factors

Financial accounts don't matter for several reasons:

- They cannot be relied upon.
- They only represent a snapshot of the business at one point in time.
- They may tell you little about the future.
- They don't tell you whether the management are competent and trustworthy.

There are better measures of the quality of a business. The book tells you what to look at.

Chapter Headings

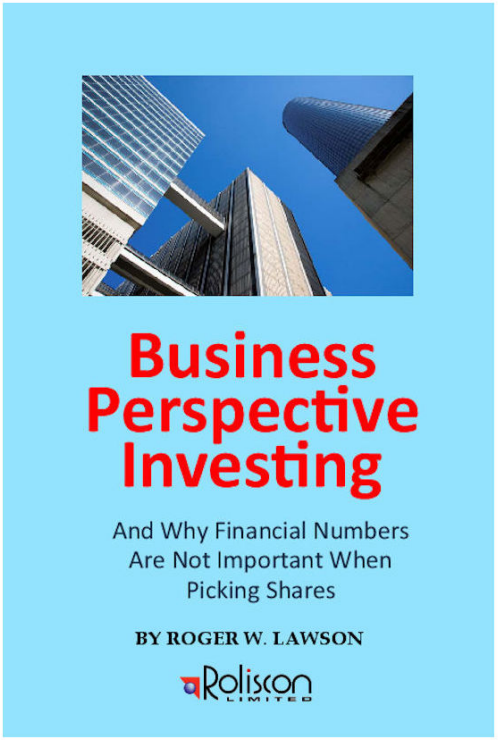
1. Why Accounts Don't Matter
2. Business Models & Competitive Strategy
3. Market Position, Branding & Marketing
4. Controlling Risk
5. Rational Pricing and Good Margins
6. Company Culture, Structure & Pay
7. Company Regulation And Governance
8. Presentation of Accounts
9. Systems and Operations
10. Financial Analysis
11. Trusts and Funds
12. Key Lessons & Conclusions

Simple Checklists

Chapter 2 Checklist

Chapter 2 – Positive Qualities	**Tick Here**
High barriers to entry?	
Economies of scale?	
Differentiated product/service?	
Low capital required?	
Hard switching costs?	
Proprietary technology and IP?	
Smaller transactions?	
Repeat business?	
Short term contracts?	
Diverse clients?	
Diverse suppliers?	
Network effect benefits?	
Regulations creating barriers to entry?	
Business model simple & understood?	
Competitive threats understood?	
Established market?	
Sector I like?	

Pricing and Availability



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Questions?