

READ A REPORT IN 10 MINUTES

Earnings Season Cheat Sheet

Companies report every three months. A full report can run dozens of pages. These are the 6 lines to read first, in this order. Compare each one with the **same quarter last year**, because many businesses have busy and slow seasons.

1

0-2 min

Sales vs. what was expected

Sales are all the money the company took in. Check two things: did sales beat or miss what analysts expected, and how much did they grow from the same quarter last year?

ASK

Is growth speeding up or slowing down compared with the last few quarters?

Watch out: growth that only came from buying another company.

2

2-4 min

Profit per share vs. what was expected

Profit per share (EPS) is profit split across every share. It is the other number every headline compares with the forecast.

ASK

Is a one-time item hiding inside it? A big fee, a lawsuit, or selling part of the business can make one quarter look much better or worse than normal.

Watch out: profit growing much faster than sales, with no clear reason.

3

4-6 min

Guidance (the outlook)

What the company says it expects for next quarter or the full year. This often matters more than the quarter that just ended.

ASK

Did they raise it, keep it, or lower it from last time?

Watch out: a strong quarter paired with a lowered outlook.

4

6-7 min

Margins

Gross margin and operating margin: how many cents of each sales dollar are left after costs. Compare with the same quarter last year.

ASK

Are costs growing slower than sales? If yes, margins rise.

Watch out: sales up, margins down, quarter after quarter.

5

7-9 min

Free cash flow

Found in the cash flow statement: cash from running the business, minus money spent on equipment and buildings.

ASK

Does cash roughly follow profit over time?

Watch out: profit keeps rising while cash keeps falling.

6

9-10 min

Share count

The number of shares, usually listed as “diluted shares.” If it grows, each share owns a smaller slice of the company.

ASK

Is the count lower than a year ago (buybacks) or higher (new shares handed out)?

Watch out: a steady climb, year after year.

Where to find each line

- **Lines 1-4:** the company's earnings press release. The headline numbers are usually in the first few paragraphs.
- **Line 5:** the cash flow statement, near the end of the release.
- **Line 6:** the income statement, in the row for diluted shares.
- **The trend over time:** in Stetz Research, open the stock page → **How the business has done** → switch to **Quarterly** for sales, margins and free cash flow.
- **What was expected:** **[[STETZ: say where readers get analyst estimates. The app does not show them today.]]**

Three traps after the report

- **The price move is not the business result.** A stock can fall on a record quarter if people expected even more. It can rise on a weak one if they feared worse.
- **One quarter is not a trend.** Before you change your view, look at the last 4 to 8 quarters together.
- **Is it a choice or a crack?** Spending more to grow can lower margins for a while, on purpose. Losing customers is a different problem. Name which one you see.

Your 10-minute scorecard

Fill one row per line. Reuse it every earnings season.

LINE	THIS QUARTER	SAME QUARTER LAST YEAR	EXPECTED	BETTER / SAME / WORSE
1 • Sales				
2 • Profit per share (after one-offs)				
3 • Guidance	Raised / kept / lowered			
4 • Operating margin				
5 • Free cash flow				
6 • Diluted shares				

One sentence to finish

“The long-term story has / has not changed, because _____.”

If you can't fill in the blank, re-read lines 1, 3 and 5 before you react to the price.

This sheet explains how to read a report. It does not tell you to buy or sell anything, and past results do not promise future ones. **[[STETZ: approve the 6 lines and their order]]**

Education only. Not investment advice.