



## Durable Competitive Advantage Check List

### Income Statement

- Gross profit margin greater than or equal to 40%
- Interest payouts of less than or equal to 15% of operating income
- Net earnings history of more than 20% on total revenues

### Balance Sheet

- Inventory and Earnings both on the rise
- Lower percentage of net receivables to gross sales than competitors
- Current ratio under 1
- Has enough earning power to payoff long term debt in 3 to 4 years
- Little to no long-term debt
- Debt to shareholder's equity ratio below .8\*\* does not apply to financial institutions
  - Calculated by Total Debt/ Shareholder equity
- Presence of treasury stock
- History of buy back shares
  - Can be found under heading "Issuance of Stock, Net."

### Statement of Cashflows

- 25% or less of net earnings for capital expenditures