Chapter 3
Screening COMPUSTAT (North America) with the Research Assistant

Are you looking for companies with a consistent record of outperforming their peers? Which semi-conductor companies have the lowest price-to-earnings ratios? What companies made up the S&P 500 in 1984? No matter what your questions are, the Research Assistant feature in Standard & Poor's Research Insight can guide you to the answers.

Research Insight gives you a powerful, yet easy-to-use tool for screening (searching) the extensive COMPUSTAT (North America) and COMPUSTAT (Global) databases for companies, industries and economic sectors that meet an endless range of criteria. You can run pre-defined screens built into the software (e.g. low price-to-book or quality blue chip stocks) or quickly create your own screens using the Research Assistant. Your screening criteria can include individual data items, concepts or formulas. The companies that pass your screen can be saved in a set so you can use the data in future analyses.

This chapter shows you how to

- define screening criteria
- customize screening criteria
- save the results of a screen
- access the Classic View of a screen

Note: The procedures in this chapter use the Money Management default style. To change your style to Money Management, select **Options** from the **Tools** menu, select the **Style** tab, select the Money Management style and click **Set Active Style**.

Defining Screening Criteria and Viewing the Results of a Screen

The first step in running a screen is to define your screening criteria. Let's say, for example, that you want to identify all the active companies with the same SIC classification as 3Com Corporation whose Return on Assets were greater than 12%.

Begin from the Research Insight Desktop.

1. Click the (**Research Assistant**) button.
2. Enter the ticker symbol for 3Com Corporation (**coms**) in the **Companies** field.

Hint: To search for a ticker symbol, click the **Look Up** button. Begin typing in the name of the company in the Select Companies field. When the name is highlighted, click **Paste**, then click **Close**. The company's ticker symbol will appear in the Companies field.

3. Select **SIC** from the Find Similar Companies area.

4. Select the **Fundamentals** tab and click the **ROA** (Return on Assets) check box.
5. Ensure **>** is selected from the drop-down list to the right and enter **12.0** in the far right field.

6. Click **Next**. Research Insight will screen the North America database and the results will appear on the Research Assistant - Step 2 window.

Let's take a closer look at these companies by viewing their 5 Year Annual Balance Sheet reports.

7. Click **Next** to open the Research Assistant - Step 3 window.
8. Click the **Open Report** radio button and click **Next** to open the File Open window.
9. Select the **Annual Balance Sheet - 5 Years** report and click **Finish**.
   You'll see the report for the first company in your set.

To view the same report for other companies in this set, click the **Next** or **Prev** button. Or you can press **F7** to move ahead or **F8** to move backward through the list of companies.

Hint: Click the **Name** button to display the list of companies by company name.

Changing Your Initial Set and Defining Multiple Criteria and Ranges

When you screen the COMPUSTAT (North America) database, Research Insight searches against a subset of the total population to find the companies that meet your criteria. This subset is called the initial set. Research Insight pre-defined sets contain groups of companies, issues or business segments. Sets are identified by the dollar sign ($) followed by an abbreviation. Examples of sets in COMPUSTAT (North America) include $C—the active U.S. companies and $SP_500—all companies in the S&P 500. A complete list of available sets can be found in the Look Up list under the Sets tab. The default set is $C (the Active U.S. companies). You can change the initial set to any pre-defined set or create your own set by saving your screen results.

Now let's say you want to search for companies in the S&P 500 with a price/earnings ratio between 25 and 30 and a year-to-date return of more than 15%.

Begin from the Research Assistant - Step 1 window.

1. Click **Change Set** to display the Initial Set dialog box.
2. Enter **$SP_500** in the **Set** field and click **OK**.

Hint: If you don't know the name of a specific set, click the **Look Up** button, select a set, click **Paste**, then click **Close**. The set name will be inserted in the **Set** field.

3. Select the **Valuation** tab and click the **Price to Earnings** check box.
4. Select **Range** from the drop-down list to the right.
   The Edit Range Values dialog box appears.
5. Enter **25.00** in the **Start of Range** field, **30.00** in the **End of Range** field, and click **OK**.

6. Select the **Returns** tab and click the **YTD** Return check box.
7. Select **>** (greater than) from the drop-down list to the right and enter **15** in the far right field.

8. Click **Next**.
   Research Insight will screen the North America database, and the results will appear on the Research Assistant - Step 2 window.

   Assuming you are satisfied with the results, we will now save the screen.

Hint: Saving the screen allows you to run the screen in the future using your defined criteria and formulating an up-to-date set. Or, you can save the original companies in the set by clicking the **Save** button in the Save Set area.

To save your screen

1. Click **Save As** in the Save Screen area.

2. Select a location to save your screen. We will save ours in Research Insight/Csscns (the default location).
3. Enter a screen name in the **File Name** field and click **Save**.
   The screen is now saved for use in future analyses.

Customizing Screening Criteria

Research Insight offers the ultimate in flexibility by allowing you to customize your default screening criteria. The following example shows how you can customize the Research Assistant to meet your specific needs.

Note: Customizing your criteria will cancel your existing screening selections.

Let's say you want to screen the COMPUSTAT (North America) database for active companies with GICS Codes 35102010 through 35102030.

Begin from the Research Assistant - Step 1 window.

1. Click **Customize** to display the Custom Indicator Groups dialog box.
2. Under Indicator Groups, highlight the **Company Specifics** group.
3. Under Indicator Items, check the **GICS Sub-Industry** check box.

4. Click **OK**, and select whether or not you want to make the customization changes permanent.
5. Select the **Company Specifics** tab and click the **Industry Sector Code** check box.
6. Select **Range** from the drop-down list to the right.

7. Select **35102010-Health Care Distrib & Services** from the **Start of Range** drop-down list, **35102030-Managed Health Care** from the **End of Range** drop-down list and click OK.

8. Click **Next**. Research Insight will screen the North America database and the results will appear on the Research Assistant - Step 2 window. From this window you can add or remove ticker symbols, save your set, save your screen or continue to the next window and use your set in a report or chart.

Accessing the Classic View of a Screen

To access the Classic View window, click the **Classic View** button on the Research Assistant - Step 1 window. The Classic View window allows you to view and modify the underlying Base Set and Formulas used in developing screens in the Research Assistant. However, if you make modifications in this window you **cannot** return to the first Research Assistant window.

You can also work in the Classic View window to develop and run your own customized screens by inserting various formulas.

The following example uses the Research Assistant - Step 1 - Classic View window to find all active companies that have a Market Value greater than $1 billion and a monthly P/E less than 18.

Begin from the Research Assistant - Step 1 window.

1. Click **Classic View**.
2. Select the **Base Set** cell in the first row, enter **$C** in the command line and press **Enter**.

3. Select the **Set** cell in the same row, enter **line1** in the command line and press **Enter**.
4. Select the **Base Set** cell in the second row, enter **$line1** in the command line and press **Enter**.
5. Select the **Formula** cell in the same row, enter **mkvalm>1000** in the command line and press **Enter**.
6. Select the **Set** cell in the same row, enter **line2** in the command line and press **Enter**.
7. Select the **Base Set** cell in the third row, enter **$Line2** in the command line and press **Enter**.
8. Select the **Formula** cell in the same row, enter **pem<18** in the command line and press **Enter**.
9. Click **Run**. Research Insight will screen the North America database and display the number of companies that passed the criteria in the **Passed** column.

10. Click **Next** to view the set of companies in the Research Assistant - Step 2 window. From this window you can add or remove tickers, save your set, save your screen or continue to the next window and use your set in a report or chart.

Exercises

You can practice using the Research Assistant by recreating the following scenarios.

I. Identify companies that have had 5 consecutive years of sales increases.

Begin from the Research Assistant - Step 1 window.

1. Select the **Growth** tab and click the **No.Yrs. Sales Increase** check box.

Note: If the tab or check box is not available, refer to page 81 - Customizing Screening Criteria.

2. Select **=** from the drop-down list to the right, and enter **5** in the far right field.

3. Click **Next**. Research Insight will screen the North America database and the results will appear on the Research Assistant - Step 2 window. From this window you can add or remove ticker symbols, save your set, save your screen or continue to the next window and use your set in a report or chart.

II. Identify companies in the S&P Super Composite whose price/earnings ratio is greater than its industry average.

Begin from the Research Assistant - Step 1 window.

1. Click **Change Set** to display the Initial Set dialog box.
2. Enter **$SP_Super** in the **Set** field and click **OK**.

Hint: If you don't know the name of a specific set, click the **Look Up** button, select a set, click **Paste**, then click **Close**. The set name will be inserted in the **Set** field.

3. Click **Customize** to display the Custom Indicator Groups box.
4. Under Indicator Groups, highlight the **Relative (Industry)** group.
5. Under Indicator Items, select the **Relative PE** check box.

6. Click **OK** and select whether or not you want to make the customization changes permanent.
7. Select the **Relative (Industry)** tab and click the **Relative PE** check box.
8. Select **>** from the drop-down list to the right.

9. Click **Next**. The results of your inquiry will appear on the Research Assistant - Step 2 window.

III. Screen the North America database to identify mid-cap companies* with a price-to-book ratio of less than 1.5% and an earnings per share of more than 10% over the past three years.

** Criteria defining mid-cap companies vary widely. In this example, we will define mid-cap companies as those that have a monthly market value between $39 million and $2.786 billion.*

Begin from the Research Assistant - Step 1 window.

1. Click **Customize** to display the Custom Indicators dialog box.
2. Highlight **Growth** from the Indicator Groups and select the **EPS 3yr CAGR** check box under the Indicator Items.

Hint: Only 6 items can be activated at one time for each group. Simply click the check box next to an item to remove the check mark in it.

3. Click **OK** and select whether or not you want to make the Customization changes permanent.
4. Select the **Growth** tab, click the **EPS 3yr CAGR** check box, select **>** from the drop-down list to the right and enter **10** in the far right field.
5. Select the **Valuation** tab, click the **Market Value** check box and select **Range** from the drop-down list to the right. The **Edit Range Values** dialog box appears.
6. Enter **39** in the **Start of Range** field, **2786** in the **End of Range** field and click **OK**.
7. Click the **Price to Book** check box, select **<** from the drop-down list to the right, enter**1.5** in the far right field and click **Next**.
   Research Insight will screen the North America database, and the results will appear on the Research Assistant - Step 2 window.

IV. Identify value or growth stocks.

First, follow the instructions in Chapter 11 - Importing and Downloading, to download the Value-Added Data including the Value/Growth Indicator.

Next, to identify Growth/Value stocks, begin from the Research Assistant - Step 1 window.

1. Click **Customize**.
2. Under Indicator Groups, click **New** to display the **Create Indicator Group** dialog box.
3. Enter **Custom** in the **Group Name** field and click **OK**.

4. Under Indicator Items, click **New** to display the Indicator Item Definition dialog box.
5. Click the (**Look Up**) button to display the Look Up List.
6. Enter **Value/Growth** in the **Select Items** field. The **Value/Growth - Indicator** item will automatically be highlighted.

7. Click **Paste**, then click **Close.** The mnemonic **VALGROW** will automatically be inserted into the Expression field.
8. Click **Accept Expression**.

9. Click **OK**. You will see the new item **Value/Growth** in the Indicator Items area of the Custom Indicator Groups dialog box.

10. Click **OK** again and select whether or not you want to make the Customization changes permanent.
11. Select the **Custom** tab and click the **Value/Growth** Check box. If you want to view Value companies, select **0-Value** from the far right drop-down list.

12. Click **Next** to display the results.

From this window you can add or remove tickers, save your set, save your screen or continue to the next window and use your set in a report or chart.