How do you determine
the profitable shares by yourself?

Prepared by

Taha Bayomy Mohamed

Founder of the genetic economy science

Contents

How do you determine the profitable shares by yourself?

Introduction

This booklet is directed to the reader who wishes to deal with shares registered on the stock exchange and does not have any experience in this field. As soon as he reads this booklet in an hour, he will have experience in this dealing, like a man who has fifty years of experience in this field.

The reader of this booklet:

He can establish a complete database for all shares registered on the stock exchange by himself.

Through the database, he can control both the financial analysis and the technical analysis of share dealings without prior study of them.

Through the database, he knows the risk aspects that surround shares dealings and avoids them.

Through the database, he knows the features that are available in shares that achieve huge profits.

Through one look at the database that he created; he takes the right decision by himself.

The final aim of this booklet is to spread knowledge in the field of shares transactions and how to make profits from them.

Author

Chapter One

Important definitions are related to the operations of the stock exchange.

- **Definition of the stock exchange (shares).**

It is the place where the shareholders 'shares are traded (buying and selling) without affecting the continuation of these companies' work while preserving the rights of these shareholders in all the results are achieved by these companies through what is called the book value of the share (the book value of the share is equal to the nominal value of the share plus what the company achieved from profits and reserves or minus the losses), by using the financial analysis method.

- **Definition of financial analysis**

Financial analysis is known as a translation process in the language of numbers, which carries the economic connotation into a simple verbal language that the specialist and non-specialist can understand and know the strong points and characteristics of the company as well as all the weak points in order to facilitate taking the appropriate decision regarding it in order to achieve all the objectives required for the continuation of the company in their community.

- **The task of financial analysis in the field of buying and selling shares on the stock exchange**:

Without going into the details of doing the financial evaluation of companies using the companies' genes and its equations, the task of financial analysis in the field of buying and selling shares on the stock exchange can be summarized in answering the following three questions:

The first question:

Is the company whose shares are to be bought on the verge of liquidation, or not?

The second question:

What is the number of years of payback of the shares?

The third question:

What is the efficiency of the company that owns the shares?

The answer to the first question:

Is the company whose shares are to be bought on the verge of liquidation, or not?

The law in most countries of the world specifies in its articles (if the company loses half of its capital, it must be liquidated unless there is a decision otherwise by the extraordinary general assembly). The question is: will you buy the shares of a company that is about to be liquidated as if someone buys a house that is about to collapse? (Therefore, you must know the answer to this question).

The answer to the second question:

What is the number of years of payback of the share?

The definition of payback years is the number of years in which the book value of the share reaches the market value of the share, assuming that the market price of the share is fixed, with the company is achieving annual profits are equivalent to the value of the alternative opportunity (the safe limits of the number of years of payback are two years). The question is, are you satisfied to deal in the shares with high payback year's numbers, like someone who makes a deal while falling from the clouds and does not know where to settle? (Therefore, you must know the answer to this question).

The answer to the third question:

What is the efficiency of the company that owns the shares?

The company efficiency is the ability of the company to achieve profits and distribute the coupons on the shares, as the distribution of coupons to the shares is considered as support of the buying and selling operations not only in the case of investment, but also in the case of speculation in order to they do not have to sell their shares in case of a price drop, but they would rather compensate for that by obtaining coupons until shares prices improve.

The companies' efficiency is divided into:

1- Excellent - Very Good - Good (which are the pioneer companies that achieve double profits than the returns of banks, and these are preferred for investors and speculators together)
2- Acceptable - Weak (which are companies that have made lower profits, and this is preferred for speculators only)
3- Losses (which are companies that made losses, and this is not preferred for either investors or speculators)

The question is, do you prefer dealing with shares that are supported by the efficiency of the company, in order to compensate you through the distribution of coupons or the book value of the share increases in the case there is no distribution of coupons, when the market price of the share falls, or are you forced to make losses when this price falls? (Therefore, you must know the answer to this question).

- **Definition of technical analysis**

The matter evolved from the selling of shares on their book value (book value = nominal value + positive company results - negative company results) to what is called trading the market value of the share, which depends mainly on what is known as technical analysis.

-Therefore, technical analysis is defined as the method that predicts the behavior and directions of the movement of shares and their value in order to make the right decision and that achieve the best result for the dealer on these shares (whether he is a speculator or an investor).

- The basic elements on which technical analysis depends.

The technical analysis depends on many different foundations, but we mention the most important three of them and in a simple way without complication.

The first element: The shares indicator in the stock market

In each stock exchange, there is an indicator as the stock exchange takes a specific number of the major companies registered on the stock exchange in terms of the size of their capital and activity to make an indicator for them. Therefore, the technical analyst believes that according to this indicator points (up or down), it leads to an understanding of the movement of shares in the stock exchange and accordingly it is a guide in making the decision.

The second element: supply and demand

The technical analyst depends on the volume of supply and demand on shares to know the directions of these shares (whether up or down by using various charts - Japanese candlesticks ... etc.) In order to make the appropriate decision.

The third element: information

This information is divided into two parts, namely:

The first Part: - Information that has already occurred (for example, financial statements about the company – The decisions are taken by the company or others... etc.)

The second part: - Information that the technical analyst expects to affect the company's results, and consequently on the value of its shares (either positively or negatively).

- **The criticisms that are directed to technical analysis:**

It is noticeable that the technical analysis depends on the three previous elements (stock indicator - supply and demand - information) and these elements have nothing to do with the reality of the company and its results, which led to the splitting of the market price of the share from its book value, which led to the occurrence of mutations in the stock exchange that sometimes may lead to many disasters. These criticisms are summarized as follows:

For the share's indicator in stock market:

We explained that the shares indicator in the stock market took a certain number of companies in terms of their activities and size of their capitals. The question is, what is the case of companies that are outside this indicator?

Example: a train has ten cars with a hundred passengers in each. Then we asked this question: calculate the age of the train driver? The aim of the question is well known. What is the relationship of the driver's age to the number of passengers? Also, how do we judge the efficiency of the rest of the companies that are outside this indicator of the efficiency of those companies that are inside the indicator?

For the supply and demand:

The technical analyst assumed that the supply and demand that takes place in the stock exchange is based on absolute transparency, so what happens if this transparency is lacking with the entry of both bears and tigers in determining supply and demand?

Who are bears and tigers? They are people who meet three conditions :

1- **The first condition**: They are owners of capital that may reach billions.
2- **The second condition**: Usually (but not always) they are able to know the influence of decisions that will be taken by the company.
3- **The third condition**: Both bears and tigers agree with each other.

The bears and tigers enter as buyers and sellers of one another in order to create a supply and demand for a certain share, so they attract other investors (or speculators) and thus they achieve huge gains from small investors (or speculators).

For the information:

The technical analyst depends on a lot of information, this information may be realistic, or false. Here, the technical analyst must not depend on this information because he does not know with certainty what will happen from the effect of this information on the result of the business of the company that owns the shares. But the administrators of these companies and those who convert this information into a real reality or a false reality. Because in fact, the value of the share is affected by the results of the company that have already occurred and is not affected by what is expected, and because the technical analyst must take what is real in order not to fall into the circle of the misleading information.

How Shares Become Profitable for You:

The shares on the stock exchange become profitable when you make the right decision. Your decision becomes correct when you have the data, as we will mention in the following table:

Chapter two:

The data are required to make the right decision to deal with shares.

- **In the following table shows the data are required to make the right decision to deal with shares**

Basic Data		Series	Company No.
		Company code	EGS7419C015
		Name of the company	Raya Contact Center for Call Center Services
		The sector	Communications, media and information technology
		Type of currency	Egyptian pound
		Nominal value of the share	0.5
		Book value of share	3.8707
		Share purchase price	4.490
		The cost of buying the share	4.517
		Share's selling price	4.603
		Earnings per share	0.058
		Ratio of earnings per share	1.3 %
		The lowest standard unit for the buying value	10000
		Number of shares on the deal	2227
		profitability of the deal	129.995
Technical analysis	The highest market share price	Value 1	6.12
		Percentage 1	36.303%
	The lowest market share price	Value 2	4.00
		Percentage 2	-10.913%
	Market risks	Market value	4.7900
		number of payback years	2.9688
Financial analysis	Position of liquidation	Percentage of increase or decrease in property rights	674.137%
		The company's position from liquidation	No liquidation
	Financial analysis	Efficiency of the company	Very good
		The efficiency of the managers in managing the company's activity	30/9/2019
	Last coupon payments	Value	0.85
		Percentage	18.82%
		Date	12/6/2019
Sub data	the active shares	The number of listed shares on the stock exchange	106060606
		The number of trading shares	30716
		The percentage of trade shares	0.029%

From the above table, we find that the table contains the following data:

1- Basic data:

The basic data consists of (Company code – Company name – Sector – Currency – Nominal value of the share – Book value per share – Share purchase price – Share purchase cost – Share sale price – Earnings per share – Earnings ratio per share – The lowest standard unit of value to be purchased – Number of shares of the deal – Profit of the deal)

2- **Technical analysis data:**

Technical analysis data consists of:

A- The highest market price per share: it contains (value – percentage).
B- The lowest market price per share: It contains (value – percentage).
C- Market risk: It contains (market value – the number of years of payback).

3- Financial analysis data:

The financial analysis data consists of:

A- The company's position on liquidation: It contains (percentage of increase or decrease in property rights – the company's position from liquidation).
B- The company's efficiency: It contains (the efficiency that is achieved by the company – the date of the balance sheet which from it we extracted this efficiency).
C- Coupon distribution: It contains (coupon value – coupon percentage – coupon distribution date).

4- Sub data:

Sub data consists of:

A- The number of shares listed on the stock exchange.
B- The number of shares traded.
C- The current ratio.

Here, several questions appear to the reader, which as follows:

1- Each cell in the previous table contained data. What is meant by this data and what is the aim of this data?
2- Where do we get the data of these cells? How do we prepare it to be suitable for extrapolation?
3- How do we read the data in this table to make the right decision?

In the following, we will answer the previous questions and the reader will find eventually that he is able to establish a complete database for all the shares of companies that are registered on the stock exchange by himself and he will be able to take the right decision in order to achieve great profits and he is able to avoid the causes that lead to losses.

First: Headings definition of the previous table cells.

1- Company code.

Company code
EGS74191C015

A- **From where we get the company code**: There is a list on one of the stock exchange pages. In this list, there is the code of each company in front of its name.

B- **The purpose of the company code:** it enables the dealers who deal with the stock exchange pages or the securities trading companies (brokerage firms) pages to extract the name of the company whose data is to be viewed among many companies that are registered.

C- **From where we get the company code**: There is a list on one of the stock exchange pages. In this list, there is the code of each company in front of its name.

Example: If you type the company code that you want (EGS74191C015) in the search cell at the stock exchange page, the company name (Raya Contact Center for Call Center Services) will appear for you and all its data.

2- Company name.

Company name
Raya contact Center

A- **What is meant by the name of the company?** The name of the company is the legal name listed in the commercial registry.

B- **The purpose of the company name**: it enables the dealers who deal with the stock exchange pages or the securities trading companies (brokerage firms) pages to extract the name of the company whose data is to be viewed from among many registered companies in the stock exchange.

C- **From where we get the company's name**: There is a list on one of the stock exchange's pages containing the names of companies registered on the stock exchange.

Example: If you type in the search box the name of the company you want, for example Raya Contact Center for Call Center Services, the name of the company (Raya Contact Center for Call Center Services) will appear for you with all its related data.

3- Type of company activity (sector).

Type of company activity (The sector)
Communications, media and information technology

A- What is meant by the sector: the type of activity that the company practices.

B- The aim of knowing the sector: The dealers can make comparisons between companies that share one type of activity to find out the best ones.

C- From where we get the type of sector: There is a list on one of the stock exchange pages contain the companies registered on that stock exchange; in front of each company there is the sector (activity) that it practices.

Example: If you type in the search box the type of sector you want (for example, Communications, media and information technology), all companies that participate in this activity and all their data will appear.

4- Type of currency.

Type of currency
Egyptian Pound

A- What is meant by the type of currency? It is the type of currency for the value of the shares traded on the stock exchange.

B- The aim of knowing the type of currency: It determines the type of currency that you will deal with for this share (Egyptian pounds or US dollars)

C- From where we get the type of currency: through a list on one of the stock exchange pages; in front of each company there is the type of currency in which the share is bought and sold.

Example: If you type in the search box the currency type, all companies that deal in this currency and all their data will appear to you.

5- The nominal value of the share.

The nominal value of the share
0.5

A- **What is meant by the nominal value of the share:** The nominal value of the share is the cornerstone which the company's capital consists of when the company has been established, and this value differs from one company to another.

B- **The aim of knowing the nominal value of the share** is to know the extent of the paid-up capital development

C- **From where we get the nominal value of the share**: Every company is registered in the stock exchange issues its balance sheet every three months and deposits it on the stock exchange. You can obtain the latest balance sheet that was issued from the security company that you deal with this company and look at the balance sheet page (financial position). In front of the capital of the company, you will find a number in parentheses, which is called the illustration number, then you go to the page that illustrates the development of capital and from it, you will know the latest development for the nominal value, as well as the number of issued shares.

(In our example, we mentioned in previous the table that the nominal value of the share = 0.5 EGP and the number of shares = 106060606 shares).

6- Book value per share.

Book value per share.
3.8707

A- **What is meant by the book value of the share**: The book value of the share is equal to the nominal value of the share plus the positive results that are achieved by the company (such as reserves, profits... etc.) and minus the negative results that are achieved by the company (such as losses).

B- **The aim of knowing the nominal value of the share**: There are three opinions of experts in financial analysis and technical analysis and they are as following:

The first opinion: The book value of the share is the starting point of the auction. Why? Because if the book value of the share is equal to ten pounds for this company's share, which means we find that the market value of the share that traded on the stock exchange is more than ten pounds, not five pounds. While if the book value of the share for another company is equal to twenty pounds, we find that the market value of the share that traded on the stock exchange is more than twenty pounds and not ten pounds that aren't the same as was the book value of the first company. Therefore, because of that auction, the number of payback years arises for those shares, as we will explain later.

Second opinion: The book value of the share is considered as the zipper. Why? Because it works to attract the market value of the share until it approximates to the book value of the share again (retreat), which is called correcting the path of the market price of the share.

The third opinion: The book value of the share is considered as indicating the crime scene (because there is a saying that the criminal always hovers around the crime scene in which he committed his crime) Why? Because in some (but not all) stock exchanges, there is a lack of transparency in dealing due to what are called bears and tigers, which leads ultimately to an unusual increase in the market value of these shares, as small investors and speculators believe to benefit from the rise of this share in order to achieve unusual profits, and then this share collapses (not retreat) until it approximates the book value of this share, and this case is known by the number of payback years.

0- **From where we get the book value of the share:**

1- We knew in the previous step, how we get the nominal value, as well as the number of issued shares.
2- Through the balance sheet page (financial position page) we will find the value of the total property of shareholders of the company. This value relates to the period for which the balance sheet was issued.
3- The book value of the share is known through this equation:

The book value of the share = value of the total property of shareholders of the company / number of issued shares

(In our mentioned example in the previous table, we find = 410527256/106060606 = 3.8707)

7- The share purchase price.

The share purchase price.
4.490

A- **What is meant by the purchase price of the share:** It is the value that the shareholder wants to give up his shares and sells them even if he obtained from this share at the return (the coupon).

B- **The aim of knowing the share purchase price:** The share purchase price is the real indicator to start dealing with this share. When we compare the purchase price of a share with its market price, we know the extent of the deviation in its market price.

C- **Where we get the share purchase price:**

1- In fact, the owner of this share owns it at its book value equals = 3.8707 (as we mentioned in the previous step).

2- If the company that owns this share to distribute coupon (profits) on this share, as this coupon is equivalent to the alternative opportunity in the banks, and let it be 8% annually, then the owner of this share does not give up it unless he obtains a return (profits) is equivalent to two years in advance, in addition to the book value of the share, accordingly the equation is:

Share Purchase Price = (Book Value * 16%) + Book Value =

(In our example, we mentioned in the previous table, as we find = (3.8707 * 16%) + 3.8707 = 4.49)

A very important note: If the market price of the share is less than the purchase price of the share, then this is good. The investor or speculator must buy at the market price of the share after knowing the reasons for the decline in the market price (for example, is the company on the verge of liquidation... etc.)

8- The purchasing cost of the shares.

The purchasing cost of the shares.
4.517

A- **What is meant by the purchasing cost of the share:** It is the purchase price of the share plus the brokerage firm's commission and taxes.

B- **The aim of knowing the purchasing cost of the share:** the buyer of the share will know the limits of the final cost, which he will pay for his ownership of the share to be purchased.

From where do we get the purchasing cost of the share?

1- We learned in the previous step the purchase price of the share (In our example, we mentioned in the table, which we reached in the previous step, the share purchase price = 4,490EGP)

2- If the security company (the brokerage) takes a commission and taxes in the range of 0.006 on the share purchase price, the equation becomes:

The purchasing cost of the share = (The share purchase price * the brokerage company's commission) + the share purchase price

(In our example, we mentioned in the table, that the purchasing cost of the share

= (4.49 * 0.006) + 4.49 = 4.517 EGP

9- The selling price of the share

The selling price of the share
4.603

A- **What is meant by the selling price of the share:** It is the selling price of the share which covers both the purchasing cost of the share and the selling commission of the share and its taxes as well as the profit margin to be achieved.

B- **The aim of knowing the selling price of the share:** When the market price of the share moves and matches the selling price of the share, then you can take the decision to sell in order to achieve the expected profits.

Where we get the selling price of the share:

In order to know the selling price of the share, the following three steps must be completed:

The first step:

Determination of the earnings per share = the purchasing cost of the share * the earnings percentage per share

(In our example, we mentioned in the table, that earnings per share is = (4.517 * 1.3%) = 0.058721 EGP

The question is: why did we determine the earnings percentage per share at 1.3%?

The answer is summarized in that the percentage of profit that is achieved by the share in this deal, as it is noticed that it does not exceed 1.3% and this is intended because the studies that have been conducted on the various stock exchanges have found the following:

- The market price of the share increases or decreases by 5% in a very short time (this may be in one session per day).

- This percentage (1.3%) is less than 5% (in case of the share moves upward), then you can cover the commission of buying and selling the share in the shortest time.

- When you repeat this percentage, you will bring higher profits than the profits of the banks. For example, if you complete a deal every month, you will achieve the following percentage = earnings percentage per share (1.3%) * 12 months = 15.6% per year

The second step:

Calculation of the selling commission = (earnings per share + the purchasing cost of the share) * brokerage firm commission

(In our example, we mentioned in the table that the selling commission is:

The selling commission = (0.058721 + 4.517) * 0.006 =

0.027454326 EGP

The third step :

Calculation of the selling price of the share = (the purchasing cost of the share + earnings per share + sale commission)

(In our example, we mentioned in the table that the sale price of the share is:

The sale price of the share = 4.517 + 0.058721+ 0.027454326 = 4.603175326 EGP

10- Earnings per share.

Earnings per share.
0.058

A- **What is meant by earnings per share**: It is the net profit per share that will be obtained by (the investor or speculator) who deals in the purchase and sale of this share.

B- **The aim of knowing the earnings per share** is to know what the profit per share will be achieved in order to estimate the number of shares to be sold.

C- **Where we get the earnings per share**:

- The earnings per share are determined through the following equation:

Earnings per share = The selling price of the share – (the purchasing cost of the share + the selling commission of the brokerage firm)

(In our example, we mentioned in the table that earnings per share is:

The earnings per share = 4.603175326 – (4.517+ 0.027454326) = 0.058721 EGP

11- Earnings ratio per share.

Earnings ratio per share.
1.30 %

A- **What is meant by the ratio of earnings per share:** It is the ratio of the profit per share that is achieved in this transaction.

B- **The aim of knowing the Ratio of earnings per share is** to know that you have committed to the ratio that was planned, which is 1.3% or not.

C- **Calculating the ratio of earnings per share**

- The ratio of earnings per share is determined through the following equation:

The ratio of earnings per share = (Earnings per share / The purchasing cost of per share) * 100

(In our example, we mentioned in the table that the ratio of earnings per share is:

The ratio of earnings per share = (0.058721 / 4.517) * 100 = 1.3%

12- The lowest of the standard unit for the value to be bought with.

The lowest of the standard unit for the value to be bought with
10000

A- **Defining the lowest of the standard unit for the value to be bought with:** It is the value that the Egyptian dealer should not be less than it when buying and selling the shares, and the appropriate amount of the Egyptian stock exchange is ten thousand Egyptian pounds.

B- **What is meant the lowest of the standard unit for the value to be bought with:** It is to know the amount of profitability for this standard amount in order to know the number of cycles to be achieved to achieve the annual target of profits.

13- The shares number of the deal.

The shares number of the deal.
2227

A- **Defining the shares number of the deal:** This is the number of the shares that are bought by the standard value. (In our case is ten thousand Egyptian pounds and then doubled).

B- **What is meant by knowing the number of the shares of the deal:** The trader must know the number of the shares of remaining that have not been sold, especially in the case that the shares the number of the deal has not been fully sold.

Calculation of the number of the shares of the deal= The lowest of the standard unit for the value to be buying / the share purchase price

(In our example, we mentioned in the table that the number of shares of the deal equals:

The number of shares of the deal = (10,000 EGP / 4.490 EGP) = 2227 shares

14- Profitability of the deal.

Profitability of the deal.
129.995

A- **What is meant by the profitability of the deal:** It is the amount of profit that is planned to be achieved for the standard value at one dealing. You will always find the profit of the deal equals to approximately one hundred and thirty pounds per ten thousand pounds (where ten thousand pounds are the lowest of the standard unit for buying of shares) meaning, if the purchase amount is doubled and became twenty thousand pounds, then the profitability of shares becomes two hundred and sixty pounds and so on.

B- **The objective of calculating the profitability of the deal**: It is to know the extent of achieving the target and the commitment of the dealer to the rules mentioned in the previous steps.

Calculation of the profit of the deal = The shares number of the deal * the earnings per share

(In our example, we mentioned in the table that the profit on the deal equals:

The profit of the deal = (2227 * 0.058 EGP) = 129.166 EGP

15- The highest of market price per share.

The highest of market price per share.	
Value	percentage
6.12	36.303 %

A- **What is meant by the highest of the market price per share:** It is the highest of market price per share that traded, and it was announced to the stock exchange from the beginning of the year (or at least three months) until the date of the deal.

B- **The aim of knowing the highest market price per share is** to make a comparison between the highest of the market price per share that had traded on the stock exchange with the share purchase price to find out the extent of availability of the profit in front of this share to make future profits.

The highest of the market price per share contains two columns:

The first column: It contains the value of the highest of the market price per share during the prior period to dealing with the share.

The second column: It contains the available percentage of profit of the share that will achieve in the coming period.

Calculation of the percentage of the highest of the market price per share:

The percentage of the highest of the market price per share is calculated through the following equation:

(In our example, we mentioned in the table that:

The percentage of the highest of the market price per share = ((the highest of the market price per share achieved – the share purchase price) / the share purchase price) * 100

= ((6.12- 4.49) / 4.49) * 100 = 36.303%

This means that there is a possibility for this share to rise again within this range of the percentage, which is equal to (+) 36.303% of its value (because the percentage is positive).

16- The lowest of market price per share.

The lowest of market price per share.	
Value	percentage
4.00	-10.913 %

A- **What is meant by the lowest of the market price per share:** It is the lowest of market price per share that traded and it was announced to the stock exchange from the beginning of the year (or at least three months) until the date of the deal.
B- **The aim of knowing the lowest market price per share is** to make a comparison between the lowest of the market price per share that had traded on the stock exchange with the share purchase price to find out the extent of existence the losses in front of this share to make future losses.

The lowest of the market price per share contains two columns:

The first column: It contains the value of the lowest of the market price per share during the prior period to dealing with the share.

The second column: It contains the available percentage of losses of the share that will achieve in the coming period.

0- **Calculation of the percentage of the lowest of the market price per share**:

The percentage of the lowest of the market price per share is calculated through the following equation:

In our example, we mentioned in the table that :

The percentage of the lowest of the market price per share = ((the lowest of the market price per share achieved – the share purchase price) / the share purchase price) * 100

= ((4 – 4.49) / 4.49) * 100 = - 10.913%

This means that there is a possibility for this share to decrease again within this range of the percentage, which is equal to (-) 10.913% of its value (because the percentage is negative).

17- Market risks.

Market risks.	
The market price of the share	The number of years of payback
4.79	2.9688 years

A- **What is meant by market risk:** when we look at the market price of the share that is currently available on the screen. If we found the market price is more than the book value of the share, then we can say there is the market risk for this share.

B- **The objective of knowing the market risk:** It is to determine the number of years of payback (where the definition of payback years is the number of years in which the book value of the share reaches to the market value of the share, assuming that the market price of the share is fixed, and the company is achieving annual profits are equivalent to the value of the alternative opportunity (the safe limits of the number of years of payback are two years).

C- **Market Risk: It contains two columns:**

The first column: The market price of the share that is currently available on the screen during the preparation of the table data.

The second column: The number of years of payback (this means the more years of payback, the greater the risk)

Calculation of the number of payback years = (Market value – Book value) / (Book value * 8%) =

= (4.79 – 3.8707) / (3.8707 * 8%) = 2.9688 years

18- The company's position from liquidation.

The company's position from liquidation.	
The increase or decrease percentage in property rights	The company's position from the liquidation
674.137 %	The company does not liquidate.

A- **What is meant by the company's position from liquidation:** When the company achieves losses that exceed half of the property rights, the company is liquidated according to the law to preserve the remaining property rights unless there is a decision by the extraordinary general assembly otherwise.

B- **The objective of knowing the company's position from the liquidation:** It is not to get involved in buying a share that causes losses to the buyer of this share.

The company's position from liquidation contains two columns as follows:

The first column: the increase or decrease percentage in property rights.

Calculation of the increase or decrease percentage in property rights =

(Book value per share) / (nominal value per share) * 100

(In our example, we mentioned in the table that:

The increase or decrease percentage in property rights =

(3.8707) / (0.50) *100 =774.14 %

The second column: the company's case of liquidation and it has three cases:

The first case: that the percentage is positive (for example + 10%), which indicates an increase in property rights. Then the company does not liquidate.

The second case: That the percentage is zero, which indicates no increase or decrease in property rights. Then the company does not liquidate.

The third case: That the percentage is negative (for example – 10%), which indicates a decrease in property rights, and it has two possibilities as follows:

The first possibility: That the percentage is negative from (-) 1% to less than (-) 50%, then the company does not liquidate.

The second possibility: If the percentage is negative and greater than (-) 50%, then the company is liquidated according to the rule of law unless there is a decision by the extraordinary general assembly to the contrary.

(In our example, we mentioned in the table that this company does not liquidate because it increased the nominal value, which was (0.5) to the book value, which became (3.8707).

19- Financial analysis.

The financial analysis.	
The efficiency of managers	Date of the balance sheet
Very good	30/09/2019

A- **What is meant by financial analysis**: Financial analysis is defined as a translation process of the language of numbers, which carries the economic meaning into a simple verbal language that the specialist and the non-specialist can understand to know the characteristics and strong points as well as all the weak points of the company in order to facilitate the appropriate decision-making about it in order to achieve all the aims required for the company's survival in its society.

The purpose of the procedure of the financial analysis is to know the efficiency of managers in managing the company's activity in order to know whether the company that owns the shares is able to distribute coupons (profits) at the end of the year or not. So, the distribution of coupons supports the process of buying and selling the shares.

The financial analysis contains two columns as follows:

The first column is the company's efficiency degree: it is the degree that determines the success of the company's administrator in managing the basic activity of the company.

Calculation of the company's efficiency degree =

(Asset value – (asset value – net profit for the year or the period) * 0.5) / net profit for the year or the period =

(598177364 – (598177364 – 91847306) * 0.50) / 91847306 = 3.7563

The degrees of the company efficiency as follows:

-From degree1 to 2 express excellent efficiency.

-From degree 2.01 to 4 express very good efficiency.

-From degree 4.01 to 7 express good efficiency.

-From degree 7.01 to 12 express acceptable efficiency.

-From degree 12.01 to 50 express weak efficiency.

-From degree 50.01 to the infinity express very weak efficiency.

In the case that the degree is equal to infinity, negative or decimal, then it expresses the loss efficiency .

(In our example, we mentioned in the table that this company has achieved the degree of (3.7563), and by referring to the degrees that mentioned above, we find that the company has achieved a very good efficiency degree).

Note:

The value of the assets has been extracted from the balance sheet page (financial position) of this company. The net profit value for the year or the period has been extracted from the income statement page that is attached to the balance sheet.

The efficiency degrees of the companies are divided into:

A- Companies that have achieved efficiency degrees (excellent – very good – or good). The investor and speculator can deal with such companies because the company is expected to distribute coupons.

B- Companies that have achieved efficiency degrees (acceptable – or weak) The only speculator can deal with such companies.

C- Companies that have achieved efficiency degree (losses) The investor or speculator should avoid such companies, especially when the company is a verge of liquidation.

The second column: the efficiency degree of managers in managing the company's activity is determined by what has been achieved in the company's balance sheet (financial position) for a specific period (which is the date of the balance sheet, which must be recently).

20- The last coupon.

The last coupon.		
Value	Percentage	Date
0.85	18.82 %	16/06/2019

A- **What is meant by the last coupon:** it is a coupon that contains a number, date, and the profit value. The company distributes this profit to their shareholders that own the shares.

B- **The objective of knowing the existence of coupon distribution:** We can compare between the value of these coupons and the alternative opportunities that are available for investment, and at the same time we will know the percentage of return on the amounts invested in these shares.

C- **We got the last coupon from the security company** (the brokerage). The last coupon contains three columns:

The first column: The coupon value.

The second column: The coupon percentage, and is calculated as follows:

Coupon percentage = (Coupon Value / Purchase Cost Value) * 100 = (0.85 / 4.517) * 100 = 18.817%

The third column: The coupon received date.

Note:

The coupon is considered support for the buying and selling operations, whether for the speculator or the investor, because if the market price of the share collapses, the speculator or investor does not have to sell his shares and he waits to distribute the coupons for compensation.

21- The number of shares of the company listed on the stock exchange.

The number of shares of the company listed on the stock exchange
106060606

What is meant by the number of shares of the company listed on the stock exchange: It is the shares that represent the paid-up capital and were registered on the stock exchange after deducting the treasury shares that are kept by the company?

22- Actively shares.

The actively shares	
Amount	Percentage
30716	0.029 %

A- **What is meant by the number of the shares of trade (actively):** It is a part of the shares registered on the stock exchange and traded on it by buying and selling, while another part of the shareholders keep their shares away from trading, for one reason or another.

The aim of knowing the number of the shares of trade (actively): It shows the availability of this company's shares to deal with

Actively shares contain two columns:

The first column: It contains the shares volume of trade during the preparation period.

The second column: We calculate the percentage of the traded shares to the listed shares on the stock exchange as follows:

The percentage of the number of shares traded = (the number of shares traded / the number of listed shares on the stock exchange) * 100 =

(30716 / 106060606) *100 = 0.02896 %

Note:

The data for these shares can be get through the stock exchange page or from the security company (brokerage)

23- Notes.

Notes.

You can write notes about registered companies in the stock exchange.

Dear reader, after answering the previous questions that help us to establish the complete database in terms of:

1- knowing what is meant by all the contents of the cells in the previous table.
2- The objective of knowing all the contents of the cells in the previous table.
3- From where we get these data of the cells in the previous table.
4- We conducted the equations on these data in order to be valid for extrapolation.

I know that it is difficult for you to do the above on your own, and this is due to two reasons:

The first reason: How do you get the required data?

The answer there are two sources:

The first source: The balance sheet, we needed to know about it the following:

1- The nominal value of the share as well as the number of shares and these are on the illustration pages .
2- Total property of the shareholders and total assets are found on the balance sheet page .
3- The net profit for the year or the period, which is on the income statement page**.**

The second source: The stock exchange pages, or the pages are provided by the security company (brokerage) and the required data are summarized in :

1- The name of the company, its code, the sector in which it operates, and the type of currency for the value of the shares.
2- The highest and lowest are the trading price of the shares and the current price of the shares which we will deal with.

3- The value of the coupons that will be distributed as well as the number of registered and traded shares.

Note: The securities companies (brokerage) can provide you with all the required data if you request it.

The second reason: You may find it difficult to perform the required equations even though all of them contain simple algebraic coefficients such as division, multiplication, addition, and subtraction.

Note: You can use the following website www.geneec.com there is module will help you to extract the following:

1- Efficiency of the company.
2- Number of payback years
3- The company's position on liquidation

An important question remained, how do we read the table in order to make the right decision to avoid losses and achieve the wanted profits?

To answer this question, we must follow the following:

1- Reading the instructions and steps that must be followed when extrapolating the data of the company to be dealt with.
2- We will give a practical example in order to know how to make the right decision.

- **The instructions and steps that must be followed when extrapolating the table of the company's data to deal with these shares.**

Arrangement of the most important elements as follows:

First: The financial data of the company and its most important components are in the following order:

The company's position from liquidation:

It includes two columns:

The first column: The increase or decrease percentage in property rights is considered an indicator of the strength or weakness of the company's financial position.

When the percentage of property rights is high and positive, this indicates that the strength and durability of the financial position of the company, and vice versa, whenever the percentage of increase or decrease in property rights is small, this indicates the weak the financial position of the company. But if this percentage is negative, it indicates losses in property rights, which indicates the weak financial position of the company.

The second column: indicates that company's position on liquidation (liquidation or not liquidation).

(The importance of knowing the company's position from liquidation: the company's position from liquidation avoids you entering problems with the company and avoids you the losses).

Financial analysis:

It includes two columns.

The first column: It is the company's efficiency degree in practicing its activity, which was achieved during the period for which its analysis was prepared, and this efficiency is one of the following degrees (excellent - very good - good - acceptable - poor - losses).

The second column: It is the date of the balance sheet that is used to extract the company's efficiency.

(The importance of looking at financial analysis through the efficiency of the management that is achieved by the company, which indicates the extent of the seriousness of the company and its continuation in the market in the future).

The last coupon:

It contains three columns.

First column: Coupon value (the higher this value, the better).

Second column: Coupon percentage (to compare it with the bank's alternative opportunity).

The third column: The date of the coupon was spent.

(The distribution of coupons is strengthened the buying and selling operations, especially when shares are falling, so the shareholder does not have to sell his shares, but it is expected to obtain the coupon, which compensates him for the alternative opportunity).

Second: Technical analysis, which concerns the company and its most important elements, in the following order:

Market risk:

It includes two columns.

First Column: Market Value, this is the usual value that a share trades at the stock exchange. You will find the market value within the current price which you extract from the stock exchange screen that you will deal with this market value.

The second column: The number of years of payback, so the smaller the number of payback years (within two years, for example) or negative, this is better, and the greater the years of payback, the greater the risk rate. For example, there is a number of payback years that reached (124.8765). Do you live for the next 124 years in order to avoid the losses?

(The importance of looking at the number of years of payback is to avoid a sudden drop in share prices, which causes the huge losses).

The highest of market price per share:

It includes two columns.

The first column: The highest of market price per share. It is the price achieved during a previous period of not less than three months. It is likely that the share price traded today will reach again the highest of market price per share**.**

The second column: It is the available percentage for you that enables you to achieve profits through it, as the percentage is an indicator of the extent of the opportunity to achieve profits when the share price offered today rises to the highest of market price per share that is achieved before. If this percentage is positive and more than 5%, this is good, but if it is positive and less than 5%, then this means that you have little chance of making a profit. In case that the percentage is negative, this means that the market prices are less than the price that should be bought at, and this is very good with two conditions, the first condition is the aforementioned financial elements are good, and the second condition is the number of trading shares.

(The importance of looking at the percentage of the highest of market price to help us in decision-making, especially if the percentage is more than 5% or the percentage is negative)

The Active shares:

It contains three columns.

The first column: The number of listed shares in the stock exchange.

Second Column: The number of traded shares (Active Shares)

The third column: The traded percentage - It indicates the availability of this share for trading on the stock exchange.

(The importance of looking at the trading the percentage is to ask yourself what the benefit of a company is, all its indicators are excellent, but it doesn't trade shares in the stock exchange or is few shares that do not be suitable for the purchase and sale operations with the standard value).

A practical example:

In order to know-how to make the right decision (Look at the following table that contains numbers for real companies).

		Series	Company No.1	Company No.2	Company No.3
Basic Data		Company code	-	-	-
		Name of the company	-	-	-
		The sector	Health care and medicine	Communications, media, and information technology	Food, drinks and tobacco
		Type of currency	Egyptian pound	Egyptian pound	Egyptian pound
		Nominal value	1	0.5	5
		Book value	0.4705	3.8707	0.6802
		The purchase price	0.546	4.490	0.789
		The purchase cost	0.549	4.517	0.794
		Selling price	0.560	4.603	0.809
		Earnings per share	0.007	0.058	0.010
		Ratio of earnings	1.3 %	1.3 %	1.3%
		The lowest of standard unit value for buying	10000	10000	10000
		Number of shares	18321	2227	12674
		Profitability of the deal	129.995	129.995	129.995
Technical analysis	The highest of market price	Value 1	.050	6.12	17.2
		Percentage 1	-8.393%	36.303%	2079.901%
	The lowest of market price	Value 2	0.50	4.00	11.25
		Percentage 2	-8.393%	-10.913%	1325.807%
	Market risks	Market value	0.560	4.7900	16.66
		Number of payback years	2.3769	2.9688	293.6620
Financial analysis	Position of liquidation	Percentage of increase or decrease in property rights	-52.947%	674.137%	-86.396%
		Company's position from liquidation	Liquidates	Do not liquidate	Liquidates
	Financial analysis	Efficiency of the company	Losses	Very good	Losses
		Data on balance sheet	31/12/2019	30/9/2019	30/9/2020
	Last coupon payments	Value	-	0.85	-
		Percentage	-	18.82%	-
		Date	-	12/6/2019	-
Sub data	The actively shares	The shares number of listed	24500000	106060606	39000000
		The shares number of traded	4659	30716	81517

By referring to the previous instructions, specify the following:

1- Which of the three companies can you buy its shares and why?
2- Determine the ranking of the three companies from best to worst and why.

The answer of the first question:

I chose company No. 2 to buy its shares for the following reasons:

1- **Position on liquidation**: The company does not liquidate.
2- **Financial analysis**: The company's efficiency degree is very good.
3- **The last coupon**: The company distributed a coupon at a rate of 18.82% (which is better than the returns of banks).
4- **Market risk**: The number of payback years in the range of 2,9688 years. (The safe limits of the number of payback years are two years)
5- **The highest of market price per share**: The percentage of the highest of the market price per share is (+) 36.303%, which is the percentage that gives the opportunity to make profits.
6- **The lowest of market price per share**: The percentage of the lowest of market price per share is (-) 10.913%, which is the percentage that is likely to achieve losses.
7- **Active shares**: The percentage of active shares of 0.029% is weak, but what is put up for trading can be exploited.

The answer of the second question:

The three companies ranked from best to worst, as follows:

1- Company No. 2
2- Company No. 1
3- Company No. 3

Here, the dear reader must know the reasons why company No. 3 came in the last order, based on the steps that are mentioned in the answer to the first question on this page.

Author’s books

Genetic economy

The author founded a science under the title (genetic economy). As this science took thirty years of research. It was arbitrated by the Arab Organization for Administrative Development of the League of Arab States. This science was issued in a special edition. It is a book that identifies economic problems automatically without the intervention of the human element and gives a remedy to the problem.

The lost science of business administration.

The author founded functional psychology in how a person’s genes correspond to the genes of the work he does (put the right man in the right job) and how this employee behaves at work at the time of economic crises.

How do you determine the profitable shares by yourself?

The author has put strict rules to control technical analysis and financial analysis to avoid the risks that occur in the processes of buying and selling shares, while identifying profitable shares. This is for people who have no previous experience.

You and The Economy.

This book visits many cities in economy world as following:

1- The city of hidden ghost viruses.
2- The cities of the economic systems.
3- The city of hope, where we learn about the roads that lead us to a better world than we are living in.
4- City of reader for identifying who are you, dear reader.