

Investing for Beginners: How to Navigate Your Company's Annual Report

Description

In an article I wrote last month, ["5 Things You Should Know Before Buying a Stock"](#), I mentioned that a thoughtful review of a company's annual report, or annual information form (AIF), would reveal important details about the company that may be difficult to find elsewhere.

We'll do a deeper dive into **Cameco Corp.'s** ([TSX:CCO](#))([NYSE:CCJ](#)) 2016 annual information form to understand exactly what information can be found and where to look for it.

Where can I find my company's AIF?

Before we get into what's inside the AIF, it's important to be able to find it in the first place.

My preferred method for doing this is to search my company's name and "investor relations" together in my favourite search engine. Your top result will likely take you to your company's "Investor Relations" page, where the AIF can be found.

Alternatively, you can go direct to the source.

If your company is registered in Canada, you can find all official company filings at [www.sedar.com](#), which is the Canadian Securities Administrators online database.

If your company is domiciled in the United States, they have their own version, which you can find at [www.sec.gov/edgar](#).

The glossy pages!

Once we've retrieved our company's AIF, the first section we'll likely see when we open the document is the bright and shiny "glossy pages."

One of the most successful investors of the past 50 years, Peter Lynch, has said on record that this is the *only section* of the annual report he ever reads.

It also happens to be the most "fun," for lack of a better term.

In Cameco's 2016 AIF, the company includes a short presentation on how the nuclear energy cycle works from start to finish.

Other companies will include a message from the chairman or CEO as well as other highlights from the past year — often displayed in easy-to-understand graphs and tables.

The business and its risk factors

Personally, I would never invest in a company's shares without first reading these sections.

The company is *obligated by law* to disclose all the pertinent facts material to a potential investment in the company's stock.

You can expect to see an explanation of the company's products and services, a commentary on the industry dynamics, and usually a breakdown of the company's performance by operating segment.

The Risk Factors section will help you to understand what you should be watching for before you decide to go ahead with a purchase.

In the case of Cameco, the discussion on risk includes an advisory note on the company's dispute with the Canadian Revenue Agency (CRA).

By doing a bit of follow-up research, we learn that if Cameco is unsuccessful in its dispute with CRA, it could potentially cost the company *billions* of dollars. This is absolutely something I would want to know before making an investment in Cameco and one of the reasons I always review my company's annual report.

Results of operations and the financial statements

If the previous section forms the skeleton of our company's operations, this section, which is included in "Management Discussion and Analysis," would be the organs and muscles that drive the company.

Here you can expect to find an *honest* commentary by management on why the previous year was either good or bad and what drove those results.

You may also see some commentary on what management expects to see in the year ahead, such as revenue or earnings profits forecasts; sometimes there's even guidance on how much the company will be spending on capital investments.

The financial statements will *numerically* represent what happened in the past year and visually show how those results compared to the year before.

Those who are numerically minded will probably spend a lot of time on this section, perhaps calculating year-over-year growth rates or other financial ratios.

But while the financial statements are a critical component of the entire package, those who are not so numerically inclined should find enough valuable information elsewhere in the aforementioned sections that should help them arrive at a more informed investment decision.

What now?

Once you have taken the time to review your company's annual report, you should feel more confident that you have a leg up on the competition.

If you are looking for more information stemming from what you uncovered in the AIF, you may also want to do a general internet search, a review of the company's conference call transcripts, or spend more time on the company's "Investor Relations" page.

CATEGORY

1. Investing
2. Metals and Mining Stocks
3. Stocks for Beginners

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:CCJ (Cameco Corporation)
2. TSX:CCO (Cameco Corporation)

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