



Thinking About Buying a Stock? Do This First

Description

When you're choosing a stock to invest in, you're often looking at ratios or charts or doing some sort of quantitative analysis using a variety of metrics. However, sometimes one of the most important things you can do is look at the company's management, specifically, its CEO.

Why you should always look at a company's CEO

What a CEO says and does can have a significant impact on a stock, which could have more of an effect on share price than whether or not the company beats earnings. We've seen what can happen to a company when its CEO can be a bit [overzealous and overconfident](#), as well as when their words are a bit [too critical](#).

This week we got yet another example of a CEO perhaps being too quick with his words, when **Tesla Inc.** ([NASDAQ:TSLA](#)) leader Elon Musk sent out a tweet suggesting that he may take the company private, at a price of \$420, and that he had already secured funding to do so.

Unsurprisingly, the stock shot up on this news, but it's also likely to get the attention of the Securities and Exchange Commission, which likely lead to an investigation of whether this was an attempt to manipulate the stock price and if Musk indeed has the money to take the company private.

If Musk was truthful, then there is no issue, but if there was some exaggeration involved, then it could spell trouble for him — and the stock as well. Regardless of the legal repercussions that Musk could face personally, if a CEO's word cannot be trusted, it's going to create a lot of uncertainty, and make the stock very risky and unappealing to investors.

While the claim of going private might surprise investors, he's been known to be active on Twitter and the notion that he may have been too quick or careless in tweeting shouldn't be that unexpected. His persona adds an element of risk that investors should be aware of by now.

For that reason, it's never a bad idea to get a quick overview of the CEO before deciding to invest or not, if only to see if there aren't some red flags right off the bat.

Strong leadership is one of the reasons I am optimistic about the prospects that **Aphria Inc.** (TSX:APH) has for long-term growth, since the company is led by former Jamieson Laboratories Ltd. CEO Vic Neufeld, someone who knows a thing or two about growing a company globally.

Although Aphria has not been able to translate that into strong returns just yet, it definitely helps give the company better odds of success in the long term, especially in a new industry where such experience is going to be limited.

Takeaway for investors

What I'd suggest to investors in all of this is to not neglect the qualitative factors when looking at a stock, which often can be more important than the quantitative. The amount of moat a company has, its leadership, and the quality of its product are just some of the examples to consider before deciding to invest in a company.

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Author

djagielski

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