

Five for Friday: Margin of Safety

Benjamin Graham and David Dodd, the founding fathers of value investing, coined the term "margin of safety" in their book, *Security Analysis*. Despite being almost 100 years old, the book remains invaluable for most value investors.

The term "margin of safety" states that the downside risk is significantly reduced if you pay a low enough price. Given today's risk-filled landscape, it is worth exploring stocks that may provide more downside protection than the broader markets and most of their underlying stocks.

This week we present five stocks with a large margin of safety. They are all priced at dirt cheap valuations despite having exceptional growth expectations. You will probably not recognize the five companies as they are small and not well followed. Further, their inclusion in ETFs is likely minimal. This limited exposure to passive investors makes finding such deep value possible.

Screening Criteria

- PEG < 1
- P/E < 10
- Forward P/E < 10
- P/S < 1
- P/B < 2
- 5 Year Expected EPS Growth > 30%

As shown below, we cheated on one of our stocks. SKX has a forward P/E slightly over 10. Given its high growth expectations and meager PEG ratio, we decided to keep it.

Ticker	EPS Next					
	5yr	PEG	P/E	F P/E	P/S	P/B
ASX	34.2%	0.16	5.40	6.15	0.63	1.46
BBAR	31.9%	0.09	2.75	1.69	0.68	0.36
FL	35.8%	0.10	3.46	6.59	0.29	0.83
SKX	72.3%	0.11	7.89	10.62	0.90	1.77
WOR	41.5%	0.15	6.07	9.52	0.43	1.55

Company Summaries (all descriptions courtesy Zacks)

Ase Technology Co. (ASX)

ASE Technology Holding Co Ltd. is a provider of semiconductor manufacturing services in assembly and testing. The Company develops and offers complete turnkey solutions covering front-end engineering testing, wafer probing and final testing as well as IC packaging, materials and electronic manufacturing services. It operates primarily in Taiwan, China, South Korea, Japan, Singapore, Malaysia, Mexico, United States and Europe. ASE Technology Holding Co Ltd, formerly known as ASE Industrial Holding Co., is based in Kaohsiung, Taiwan.



Banco BBVA Argentina S.A. ADS (BBAR)

Banco BBVA Argentina S.A is a subsidiary of the BBVA Group. It offers retail and corporate banking to individuals, SME s and large-sized companies. Banco BBVA Argentina S.A, formerly known as BBVA Banco Francs S.A., is based in Argentina.



Foot Locker (FL)

Foot Locker, Inc. is a leading global retailer of athletically inspired shoes and apparel. The Company operates countries in North America, Africa, Europe, the Middle East, Asia, Australia, and New Zealand under the brand names Foot Locker, Champs Sports, Kids Foot Locker, Footaction, SIX:02, Lady Foot Locker, Runners Point, and Sidestep. The Company also operates a direct-to-customer business offering athletic footwear, apparel, and equipment through its Internet, mobile, and catalog channels. In addition to websites for each of the store banners, the direct-to-customer business includes Eastbay, a leading destination for the serious athlete.



Skechers U.S.A. (SKX)

Skechers U.S.A., Inc. designs, develops, markets, and distributes footwear for men, women, and children in the United States and overseas under the SKECHERS name, as well as under several uniquely branded names. Skechers has distribution networks and joint venture partners in Asia and the Middle East, and wholly-owned subsidiaries in Canada, Japan, throughout Europe and Latin America. Skechers offers casuals, dress casuals, comfort and lightweight, sandals, and casual fusion categories for men and women under the Skechers USA brand; sport footwear for men and women, including men s lifestyle athletic footwear, lightweight women s sneakers, and sport sandals and boots under the Skechers Sport brand; fusion and sport fusion sneakers for females of all ages under the Skechers Active brand; and vulcanized looks and at Home collection under the brand BOBS from Skechers.



Worthington Industries (WOR)

Worthington Industries, Inc. has been North American s premier, value-added steel processor, providing customers with wide ranging capabilities, products and services for a variety of markets including automotive, construction and agriculture. Worthington is also the leading global supplier of pressure tanks and cylinders. The company manufactures a host of pressure cylinders products

for industrial gas and cryogenic applications, transportation and alternative fuel storage, oil and gas equipment, and consumer brand retail products, including Bernzomatic, Coleman and Balloon Time. They have built a reputation on quality, safety and regulatory compliance, ensuring the protection of their employees, customers and industry. In fact, designing and building protective structures is another one of their specialties. Worthington manufactures custom-engineered, open and enclosed cabs, and operator stations for the smallest utility equipment to the largest earth-moving machinery in the world.



Disclosure

This report is not a recommendation to buy or sell the named securities. We intend to elicit ideas about stocks meeting specific criteria and investment themes. Please read our [disclosures](#) carefully and do your own research before investing.