# Buffettology 101

## 3 Simple Rules of Buffett

1. Highly Predictable
2. Future Growth
3. Cheap Price

*Explained*

1. We want companies that have a high historical probability. This is what we use to forecast the future revenues (sales per share) and net incomes (earnings per share).
2. Buffett is not interested in companies that don't have future growth potential.
3. Warren would never buy a company at a price that would return less than 15% a year given his margin of confidence and projected future cash flows.
    a. 2 Rules of Thumb
        1. Growth Rate > PE Ratio
        2. PEG Ratio < 1
    b. How Buffett Does it
        i. Ben Graham Warranted Market Value Formula
            1. http://www.moneychimp.com/articles/valuation/graham.htm
        ii. Discounted Cash Flows
            1. http://www.creativeacademics.com/finance/dcf.html

Notes:

Recommended Further Reading: Buffettology by Mary Buffett