



MONEY MANAGER • FINANCIAL ADVISOR • PHILANTHROPY

Goodman
FINANCIAL

Q2 2026

THE GOODMAN REPORT



Price vs. Value | *Part 1: A Quick Guide to Valuation*

By: Robin R. Kollannur, CFA
Chief Investment Officer

“Nowadays people know the price of everything, and the value of nothing.”
Oscar Wilde, *The Picture of Dorian Gray*

The financial news is full of stock market prices. Major news channels and websites have constant scrolling tickers that show instantaneous changes in a company’s stock price, and the S&P 500 and the Dow Jones Industrial Average are advertised across the media landscape. While the world is awash in prices, it is important for long-term investors to take a step back and ask a simple question. *Is this company worth the price the market is quoting for it?*

That single question is a key driver of our investment process here at Goodman Financial. The language used by the financial ecosystem to reach these conclusions can seem intimidating at first but strip the jargon away and a company’s value rests on a handful of very straightforward ideas. This article walks through what those ideas are, how the main techniques work, and what they’re really telling you about a company’s value.

What Does "Value" Actually Mean

On a very basic level, the value of a company is the cash it generates for its owners over its lifetime, adjusted for the time and risk involved in waiting for that cash. Two companies that produce the same total profits over thirty years are not equally valuable if one delivers the cash next year and the other delivers it in year thirty. And two companies that promise identical future cash flows are not equally valuable if one is a large electric company and the other is a speculative startup biotech company i.e. one may be riskier than the other.

To summarize, the value of a company has three main ingredients:

- **Quantity:** How much cash will the company generate over its lifetime?
- **Timing:** When will the cash arrive? (cash received sooner is more valuable)
- **Certainty (Risk):** What is the likelihood that the projected cash flows will actually occur?

The quoted stock price of a company, one that is readily available in the financial ecosystem, is the current *market* price of the most recent transaction between a buyer and a seller. This price may or may not reflect the underlying value of the company.

Our investment approach is focused on finding companies where the stock price trades at a sizeable discount to the underlying value (or “intrinsic value”) of the business. Our research tries to determine this intrinsic value using different methodologies. Some of the methodologies in our toolkit include:

Discounted Cash Flow (DCF): We build a forecast of the company's future cash flows and translate them into a present-day value using a stated discount rate. A DCF methodology asks a simple question: if you owned the entire company, how much cash could you take out of it each year, and what is that stream of cash worth today? We also add a “terminal value” to this stream of cash.

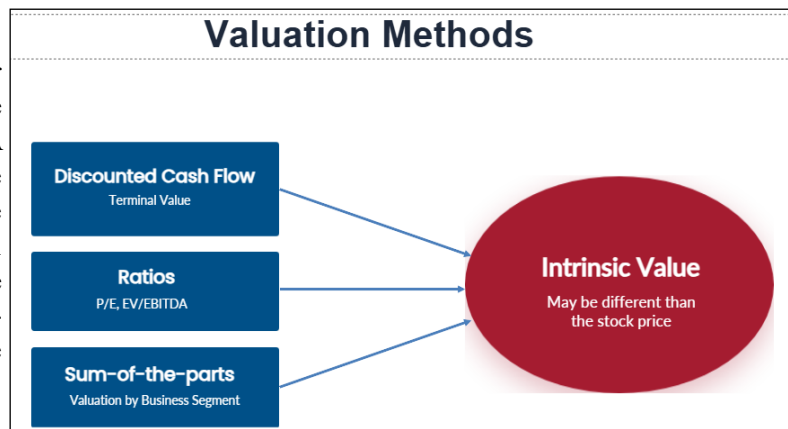
Continued on page 2

The information, analysis, and opinions expressed herein are for general and educational purposes only. Nothing contained in this commentary is intended to constitute personalized legal, tax, accounting, securities, or investment advice, nor an opinion regarding the appropriateness of any investment, nor a solicitation of any type. Past performance is not indicative of future results. Information obtained from third party sources are believed to be reliable but not guaranteed. All opinions and views constitute our judgments as of the date of writing and are subject to change at any time without notice.

Continued from page 1 (Price vs. Value)

To use a tangible example of an orange tree, the owner may be able to predict how many oranges the tree will grow every year for the next 5 years. They can then calculate the estimated cash flow earned from selling those oranges. The owner also knows the tree will keep producing oranges for years after year 5, but it is difficult to predict the exact number of oranges from year 5 onwards. Instead of guessing a number for every single year, the owner can estimate one ‘lump-sum’ value for what the tree is worth after year 5. In a Discounted Cash Flow (DCF) model, that lump sum is the “terminal value” as it captures the remaining lifetime value of the business.

Ratios: We compare the company against similar businesses and their own history using ratios like Price-to-Earnings (P/E) or Enterprise Value-to-EBITDA (EV/EBITDA) multiples. Some of these ratios are widely quoted in the financial press because they are easy to explain and there is usually enough historical data to make comparisons. The catch is that the multiples are shortcuts; they implicitly embed assumptions about long-term growth, returns, and risk that are already in the DCF above.



Sum-of-the-parts: We break the company apart into separate pieces (usually by its revenue lines), value each segment separately, and then add them up to get the full company value. We may use DCF for one segment and multiples for another, depending on the underlying nature of the business. For example, Microsoft has segments such as Office365, the Azure cloud product, the Xbox gaming system, and the LinkedIn website. Since the economics of the Azure cloud business is different than the Xbox gaming business, different methodologies will need to be used.

As investors, the whole process of valuing a company gives focus to the inputs that really matter: **growth** in revenue and cash flow, **returns** on the capital the company is investing and most importantly **risk**, which is the likelihood that the projected cash flow won't actually happen. The quoted stock price only comes into play after these answers are uncovered.

Reverse Engineering

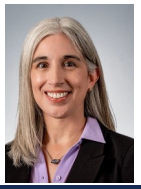
Another way we use valuation is to reverse-engineer a company's current stock price. Instead of building a DCF model or using multiples to derive a fair value, we run it backwards i.e. take the stock price and solve for what the market must be assuming to justify it.

We can then infer the growth rate, returns, and risk assumptions the market is pricing in. This approach is particularly valuable when future visibility is low for a company. One may not be able to forecast next year with confidence, but one can usually evaluate whether the multi-year assumptions baked into a stock's current price are reasonable.

A Few Practical Reminders

These methodologies will produce a *range* of intrinsic values for a company and not an exact point of reference. We cross-check our models with multiple methodologies, do sensitivity analysis on the inputs, and present a range of outcomes. To paraphrase John Maynard Keynes, our goal is to be “approximately right rather than precisely wrong.”

Therefore, the numbers matter less than what the exercise itself teaches us about the business we may be purchasing. The discipline of building a model and understanding the intersection between growth, returns, capital, and risk is where the real insight lives. The output is just the end result. We also believe this type of process separates actual investors from pure speculators that try to predict short-term moves in the company's stock price. We will dive further into this topic in Part 2, which will be included in our next newsletter.



From Avoidance to Confidence: Rethinking How You Budget

By: Diana Castro, CPA, CFP®
Senior Financial Advisor

The concept of budgeting tends to spark very different reactions. Some people light up at the chance to open a detailed spreadsheet or app and show exactly where every penny goes. Others would rather avoid the topic entirely. Most fall somewhere in between. Wherever you land, budgeting is a foundational skill that supports long-term financial stability and confidence at every stage of life, from your first paycheck to retirement.

What is a budget?

At its core, a budget is simply a plan for your money. It tracks what comes in (income) and what goes out (expenses), organizing those flows into categories so you can clearly see whether you are operating with a surplus or a deficit. That clarity is powerful. It helps you make informed decisions, avoid unnecessary stress, and prepare for both expected and unexpected expenses.

Beyond the numbers, a budget also reflects your priorities. The way you spend reflects what matters most to you, whether that is saving for the future, supporting your family, travel and vacations or simply convenience with daily tasks. A well-designed budget does not restrict your life, instead it aligns your spending with your values, so your financial resources are aligned with your personal priorities.

WAYS TO CREATE A BUDGET

There is no one-size-fits-all approach to budgeting. The best method is the one you can consistently follow. Regardless of the format you choose, the first step is observation. Before making changes, take time to understand your current habits. Review your spending over a week, then a month, and ideally over a full year to capture irregular expenses like holidays, subscriptions, or annual bills. This baseline gives you an honest picture of where you stand.

From there, you can explore different budgeting methods:

- **Envelope method:** This approach involves dividing your spending money into physical or digital “envelopes” for specific categories like groceries, dining, or entertainment. Once an envelope is empty, spending in that category stops. It is a simple, hands-on way to build awareness and control. It can also be used for one-off goals or expenses such as saving for a downpayment on a house or replacing an appliance.
- **50/30/20 method:** This framework allocates 50% of your after-tax income to needs (housing, utilities, groceries), 30% to wants (entertainment, dining out), and 20% to savings and debt repayment. Contributing to retirement through pre-tax payroll deductions (like a 401(k)) can count towards your 20% or you can aim to contribute on top of that. It offers flexibility while still encouraging balance and forward planning.
- **Zero-based budgeting:** Every dollar is assigned a purpose until your income minus expenses, savings and debt repayment equals zero. This method requires more attention but can be highly effective for people who want detailed control.
- **Pay-yourself-first approach:** Instead of focusing on categories first, you prioritize savings and investments by setting aside a portion of income immediately, then spending what remains.

Each method has pros and cons, and it is common to adapt or combine elements from several approaches.

MAKING IT WORK

The most important takeaway is not which method you choose, but whether it fits your lifestyle and mindset. A budget that is too rigid or unrealistic is unlikely to last. Start simple, adjust as needed, and allow room for flexibility. Life changes, and your budget should evolve with it.

Ultimately, budgeting is not about perfection. It is about awareness, intention, and consistency. When your financial plan reflects your priorities and feels manageable, you are far more likely to stick with it, and that is where real progress happens.



Goodman FINANCIAL

MONEY MANAGER • FINANCIAL ADVISOR • PHILANTHROPY

5177 Richmond Avenue, Suite 700
Houston, Texas 77056

Phone: 713-599-1777
Fax: 713-599-1811
Email: info@goodmanfinancial.com
Website: www.goodmanfinancial.com

The Goodman Report

Inside This Issue:

- Price vs. Value
- From Avoidance to Confidence: Rethinking How You Budget
- Passion, Purpose, and Finding the Right Home

Check out our website
www.GoodmanFinancial.com
 for past newsletter articles and more content!



Passion, Purpose, and Finding the Right Home

By: John Ross, MBA
Director of Business Development

Hello GFC friends, family, and colleagues! My name is John Ross, and I joined the firm this past January to lead our business development efforts. I was born and raised in West University Place and earned my undergraduate degree from the University of Houston.

I started my career in recruiting, following in my father's footsteps. What I found most meaningful in that work was the impact it had on people's lives. Helping someone land their dream job meant more than a career win - it meant a better quality of life for their entire family. I will never forget how rewarding it felt to help families in that way, and that sense of purpose has stayed with me throughout my career.

As my career progressed, I developed a passion for personal finance and investing. That passion continued to grow, and I ultimately decided it was time to take a leap of faith. With a full-time job, an amazing and supportive wife, and two young daughters at home, I went back to school to pursue an MBA with a plan to turn my passion into a career in wealth management. It meant sacrificing weekends, many late nights, and any semblance of a social life. One night, I was cooking dinner with a textbook open on the counter, studying for an exam. My oldest daughter walked in and asked why I was reading while cooking. When I explained, she looked at me and said, "Dad, you are

working so hard. We are proud of you." That moment alone made every sacrifice worth it.

As I approached graduation and researched the industry, I knew the fee-only fiduciary model was the only one I could truly stand behind. I wanted to work somewhere that always puts clients first— not somewhere driven by commissions. When I spoke with Steve and the GFC team, I found exactly that: a team with the highest integrity, a growth mindset, and a genuine commitment to doing what is right. I knew right away that this was where I belonged, and I am grateful to be part of the GFC family.

