

2 for 1 Index[®]

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April 15, 2022

Shopify, Inc. (SHOP), another high-flying stock much in the news, has declared its intention to split its shares 10 to 1. And, according to the press release, a new class of shares will be issued in conjunction with the split, assuring the long-term control of the company by founder and CEO Tobi Lütke. I don't like the fact that companies are able to manipulate their shares in this way to maintain control by the founder. I actually think it should be illegal, but maybe that's just me. For our purposes, there is a less subjective metric waving a red flag. The PEG ratio, or PE to growth ratio, is a number often used to gauge valuation, along with the Price-Earnings ratio and Book Value. A PEG over 1.0 can signal overvalued, less than 1.0 - undervalued. SHOP has a PEG of 1.41, obviously way higher than 1 and also higher than its sector peers and the market average. This is a volatile, overvalued stock that doesn't pass the smell test, in my opinion. Just not my cup of tea. Shopify's shares have dropped from their recent high of \$1,762.92 to around \$610, so it may seem a bargain, but I'm going to take a pass.

Fortunately, there is another candidate. P.A.M. Transportation Services, Inc. (PTSI) announced a 2 for 1 split in March but was not included in the list of stocks analyzed for last month's Index update. Founded in 1980 in Tontitown, Arkansas, PTSI is a medium-sized trucking company but would be considered a small-cap stock with a market cap of around \$575M. Valuation numbers are outstanding. In contrast to SHOP (see above), the PEG for PTSI stands at 0.27. The above average volatility of PTSI and its lack of a dividend are factors leading me to question this choice, but the valuation numbers, growth prospects, and track record of PTSI are more important and provide a solid basis for this selection. This is a well-managed, profitable company in the business of moving all the stuff we need across the USA, Mexico, and Canada. Along with our railroads, CP and CSX, and Marten Trucking, PTSI will round out the transportation sector within the 2 for 1 Index.

First Financial Bankshares (FFIN) will be deleted from the Index next Monday. FFIN'S total return was around 13.0% annualized during its three years in the Index. From the day FFIN was added to the Index (5/20/19) until now, the Index has grown by 41%. FFIN's overall return, including dividends, stands at 42.7%, so that makes it a solid performer and, just barely, a winner.

In summary, **PTSI will be added to and FFIN will be deleted from the Index this month.** There will be a rebalance, maintaining the 2 for 1 Index at 30 equally balanced positions, as of the market close on Monday, 4/18/22.

Neil Macneale

FFIN	FIRST FINANCIAL BANKSHARES	MAY-19	BEP	BROOKFIELD RENEWABLE	NOV-20	2 for 1 Index inception 7/31/1996
PPL	PPL CORP	JUN-19	WAFD	WASHINGTON FEDERAL, INC	DEC-20	
KELYA	KELLY SERVICES, INC	JUL-19	SHW	SHERWIN-WILLIAMS, INC.	FEB-21	Value at inception = 100
FAST	FASTENAL CO	AUG-19	LSI	LIFE STORAGE, INC.	MAR-21	
MBCN	MIDDLEFIELD BANC CORP	OCT-19	HWKN	HAWKINS, INC.	APR-21	Value as of 4/14/22 = 1919.94
TKR	TIMKEN CO.	NOV-19	CP	CANADIAN PACIFIC	MAY-21	
TU	TELUS COMMUNICATIONS INC	MAR-20	CSX	CSX CORPORTION	JUN-21	All time high - 1/4/22 = 2105.21
BEN	FRANKLIN RESOURCES	APR-20	SCVL	SHOE CARNIVAL, INC.	JUL-21	
AWR	AMERICAN STATES WATER	MAY-20	ISRG	INTUITIVE SURGICAL, INC.	AUG-21	52 week low - 6/18/21= 1811.66
EW	EDWARDS LIFESCIENCES	JUN-20	RJF	RAYMOND JAMES FINANCIAL	SEP-21	
MRTN	MARTEN TRANSPORT LTD	AUG-17	TM	TOYOTA MOTORS CORP	OCT-21	Overall annualized return = 12.18%
COST	COSTCO WHOLESALE CORP	JUL-20	MBIN	MERCHANTS BANCORP	DEC-21	
TREX	TREX COMPANY INC	AUG-20	NSSC	NAPCO SECURITY TECH.	DEC-21	Comparable S&P total return = 9.84%
AAPL	APPLE INC.	SEP-20	GOOGL	ALPHABET, INC.	FEB-22	
NEE	NEXTERA ENERGY INC.	OCT-20	CM	CIBC	MAR-22	