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**BLACKTECHSTARTUP EDUCATION**

# Read a Tech Company Like an Owner: The 10-K, Cash Flow, Dilution and Stock- Based Compensation

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## Start in EDGAR, not in the feed

Investor.gov explains that EDGAR gives investors free access to public-company filings. For a technology company, begin with the latest 10-K, then read recent 10-Qs and material 8-Ks. The 10-K contains the business description, risk factors, management discussion, financial statements and footnotes that social-media commentary often compresses into a slogan. Your goal is not to predict tomorrow's price. It is to understand what you would own: the revenue engine, cost structure, competitive risks, capital needs and claims on the cash the company generates.

## Write the business model in one paragraph

Before looking at valuation multiples, explain how the company earns a dollar. Who pays? Subscription, usage, advertising, hardware, transaction fee or services? Is revenue recurring or project-based? What customer or geography concentration exists? Which segment is growing and which segment funds the rest? If the 10-K is too complicated to explain after careful reading, do not solve that uncertainty with a stock chart. Keep a one-page owner memo and leave a blank next to every question you cannot answer. Unknowns are research tasks, not reasons to invent confidence.

## **Follow cash, not only adjusted earnings**

Compare net income with cash from operating activities. Then study capital expenditures, acquisitions, debt issuance, share issuance and repurchases. A software company can report strong adjusted profit while issuing significant stock-based compensation. A hardware or data-center company can show accounting earnings while consuming large amounts of cash for capital expenditure. There is no single correct metric across all tech businesses. The discipline is to reconcile the income statement with actual cash movement and understand what investment the business requires to keep growing.

## **Treat stock-based compensation as an ownership question**

Technology companies often use equity to recruit and retain employees. That can align incentives, but it can also dilute existing shareholders when new shares or awards expand the share count. Read the stock-compensation footnote, diluted share count and repurchase activity together. A company may spend billions repurchasing shares while much of that merely offsets compensation dilution. SEC filings disclose the mechanics; your owner memo should ask whether per-share economics are improving, not only whether total revenue is rising.

## **Read risk factors for operating exposure, not prophecy**

Risk sections are broad because companies disclose many possibilities, but they reveal the issues management and counsel consider material enough to state: customer concentration, platform dependence, cybersecurity, regulation, intellectual property, supply chain, export restrictions, competition or reliance on key partners. Compare the risks with the notes and recent events. If a cloud company depends heavily on one infrastructure vendor, quantify that dependence if the filing allows. If an AI company faces enormous compute commitments, find where those obligations appear in cash flow and contractual commitments.

## **Build the 45-minute owner memo**

Spend 10 minutes on the business and segment description, 10 on revenue and margin trends, 10 on cash flow and balance sheet, 5 on share count and compensation, 5 on risks and commitments, and 5 writing three reasons the thesis could be wrong. Record the filing date and price only after you understand the company. Then decide whether deeper valuation work is justified. This method does not tell you what to buy, and it cannot remove investment risk. It gives you a repeatable way to replace narrative with primary evidence before money is at stake.

# Calculate per-share economics, not just company growth

Create a five-year table with revenue, operating income, operating cash flow, capital expenditures, free-cash-flow proxy, diluted shares outstanding and stock-based compensation. Then calculate revenue and cash flow per diluted share. If company-level cash flow doubles while diluted shares increase 40 percent, the shareholder experience differs from the headline growth rate. Review debt and cash balances alongside this table because acquisitions, buybacks and infrastructure investments can change the capital structure. Next, read the compensation footnote and proxy statement for major incentive design: what metrics determine executive awards, and could those metrics encourage growth that is not equally valuable per share? For acquisitive technology companies, inspect goodwill and intangible assets and ask how much growth was bought versus built. For capital-intensive AI infrastructure, compare commitments and capex with expected monetization rather than assuming demand automatically creates attractive returns. Finally, write a bear case that uses the company's own disclosures: slower growth, margin compression, customer loss, regulation, supply constraints or higher capital requirements. You do not need to predict which risk happens. The exercise prevents your thesis from depending on only one future. This guide is education, not a recommendation to buy or sell any security; use filings to improve your questions before you risk capital.

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## SOURCE DESK

### Research behind this guide

Use the primary sources below to verify current rules, eligibility and program details before acting. Program terms can change.

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**Investor.gov — Using EDGAR to research investments**



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**SEC — EDGAR search and access**



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**Investor.gov — How to read a 10-K**



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**SEC — Stock-based compensation glossary and accounting resources**



**Important:** This article is educational information, not individualized legal, tax, investment or compliance advice. For decisions with legal or financial consequences, use a qualified professional who can review your facts.

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