

## 2 EVALUATING MANAGEMENT Company \_\_\_\_\_

|  | 19__ | 19__ | 19__ | 19__ | 19__ | 19__ | 19__ | 19__ | 19__ | 19__ | LAST 5<br>YEAR AVE. | TREND |      |
|--|------|------|------|------|------|------|------|------|------|------|---------------------|-------|------|
|  |      |      |      |      |      |      |      |      |      |      |                     | UP    | DOWN |
| <b>A</b> % Pre-tax Profit on Sales<br>(Net Before Taxes ÷ Sales) |      |      |      |      |      |      |      |      |      |      |                     |       |      |
| <b>B</b> % Earned on Invested<br>Capital (E/S ÷ Book Value)      |      |      |      |      |      |      |      |      |      |      |                     |       |      |

## 3 PRICE-EARNINGS HISTORY as an indicator of the future

| Year | PRESENT PRICE                |            | C<br>Earnings<br>Per<br>Share | HIGH THIS YEAR            |              | F<br>Dividend<br>Per<br>Share | G<br>% Payout<br>F ÷ C X 100 | H<br>% High Yield<br>F ÷ B X 100 |
|------|------------------------------|------------|-------------------------------|---------------------------|--------------|-------------------------------|------------------------------|----------------------------------|
|      | A<br>PRICE                   | B<br>PRICE |                               | D<br>Price Earnings Ratio |              |                               |                              |                                  |
|      | HIGH                         | LOW        |                               | HIGH<br>A ÷ C             | LOW<br>B ÷ C |                               |                              |                                  |
| 1    |                              |            |                               |                           |              |                               |                              |                                  |
| 2    |                              |            |                               |                           |              |                               |                              |                                  |
| 3    |                              |            |                               |                           |              |                               |                              |                                  |
| 4    |                              |            |                               |                           |              |                               |                              |                                  |
| 5    |                              |            |                               |                           |              |                               |                              |                                  |
| 6    | TOTAL                        |            |                               |                           |              |                               |                              |                                  |
| 7    | AVERAGE                      |            |                               |                           |              |                               |                              |                                  |
| 8    | AVERAGE PRICE EARNINGS RATIO |            |                               |                           | 9            | CURRENT PRICE EARNINGS RATIO  |                              |                                  |

## 4 EVALUATING RISK and REWARD over the next 5 years

### A HIGH PRICE — NEXT 5 YEARS

Avg. High P/E  $\frac{(\text{37})}{}$  x Estimated High Earnings/Share  $\frac{(\text{38})}{}$  = Forecast High Price B-1 \$  $\frac{(\text{44})}{}$

### B LOW PRICE — NEXT 5 YEARS

(a) Avg. Low P/E  $\frac{(\text{31})}{}$  x Estimated Low E/Share  $\frac{(\text{39})}{}$  = \$  $\frac{(\text{41})}{}$

(b) Avg. Low Price of Last 5 Years =  $\frac{(\text{36})}{}$

(c) Recent Severe Market Low Price =  $\frac{(\text{35})}{}$

(d) Price Dividend Will Support  $\frac{\text{Present Divc.}}{\text{High Yield}} = \frac{(\text{34})}{(\text{32})} = \frac{(\text{40})}{}$

Selected Estimated Low Price  $\frac{(\text{33})}{}$  B-2 \$  $\frac{(\text{43})}{}$

### C ZONING

$\frac{(\text{44})}{}$  High Forecast Price Minus  $\frac{(\text{48})}{}$  Low Forecast Price Equals  $\frac{(\text{40})}{}$  Range. % of Range. =  $\frac{(\text{40})}{}$

Lower 1/3 =  $\frac{(\text{48})}{}$  To  $\frac{(\text{40})}{}$  (Buy)  $\frac{(\text{40})}{}$

Middle 1/3 =  $\frac{(\text{40})}{}$  To  $\frac{(\text{44})}{}$  (Maybe)  $\frac{(\text{40})}{}$

Upper 1/3 =  $\frac{(\text{44})}{}$  To  $\frac{(\text{44})}{}$  (Sell)  $\frac{(\text{44})}{}$

Present Market Price of  $\frac{(\text{44})}{}$  is in the  $\frac{(\text{40})}{}$  Range

### D UP-SIDE DOWN-SIDE RATIO (Potential Gain vs. Risk of Loss)

High Price  $\frac{(\text{44})}{}$  Minus Present Price  $\frac{(\text{44})}{}$  =  $\frac{(\text{40})}{}$  To 1

Present Price  $\frac{(\text{44})}{}$  Minus Low Price  $\frac{(\text{48})}{}$  =  $\frac{(\text{40})}{}$

## 5 5-YEAR POTENTIAL

**A** Present Full Year's Dividend \$  $\frac{(\text{44})}{}$  =  $\frac{(\text{40})}{}$  x 100 =  $\frac{(\text{40})}{}$  Present Yield or % Returned on Purchase Price  
Present Price of Stock \$  $\frac{(\text{44})}{}$

### B AVERAGE YIELD OVER NEXT 5 YEARS

Avg. Earn. Per Share Next 5 Years  $\frac{(\text{44})}{}$  x Avg. % Payout  $\frac{(\text{40})}{}$  =  $\frac{(\text{40})}{}$  %

Present Price \$  $\frac{(\text{44})}{}$