WORKBOOK

The Value Line Investment Survey

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WORKBOOK

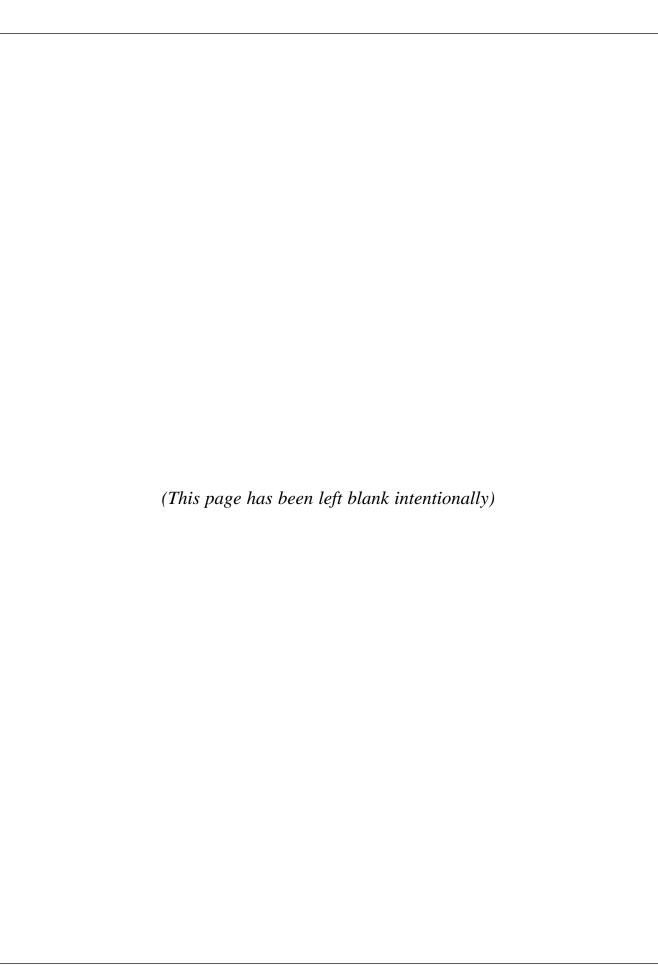## *The Value Line Investment Survey*

This workbook has been designed primarily to help novice and intermediate investors understand the Value Line approach to evaluating companies. It contains information that Value Line thinks is most important for learning the investment process.

As you read the following pages, please refer to the <u>sample report on Procter & Gamble that appears on page 21 of this workbook.</u> The report is dated April 14, 2000. You can find the date in the lower right hand corner next to the analyst's name. You will be asked to answer questions or complete statements. Whenever you see a blank line, please fill it in. <u>Each blank line has a notation that corresponds to the correct responses shown at the end, on page 22</u>. <u>To analyze your performance, go to page 23</u>. You may need a calculator to find some of the answers.

Page 21 is perforated on the left side for easy removal if you want to take it out as you answer the questions.

In each *Value Line* report there are a number of particularly important items, all explained in more detail below. These include the ***Timeliness, Safety,*** and ***Technical*** ranks (***item 2 on page 21)*** in the upper left hand corner of each page; the large **stock price chart** at the top of the page (***item 13***); recent **stock price** and **financial forecasts** (***items 12, 16, and 30***) in several places; **balance sheet** and **income statement data** (***items 16 and 27***) in the center; **quarterly data** (***items 22 and 23***) in the lower left; and the **analyst's written commentary** (***item 18***) in the lower right. There is a great deal of other information as well.

To learn more about *The Value Line Investment Survey*, we recommend that you read the introductory book, *A Quick Study Guide*, to get an overview, and then read *How To Invest In Common Stocks* to understand important investing guidelines in more detail. These two green-covered pamphlets are included in *The Value Line Investment Survey* reference library that all new subscribers receive. Earlier reports on Procter & Gamble appear in both pamphlets.

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The Questions Start Here. Good Luck!

Across the top of the page are: the **company's name (*item 1 in the report on Procter & Gamble that appears on page 21 of this workbook),** followed by the **stock exchange** on which the stock is traded - usually the New York Stock Exchange (NYSE), American Stock Exchange (ASE), or NASDAQ (NDQ), and the **ticker symbol,** usually two to four letters used to identify a stock for trading purposes. Next comes the recent **stock price (*item 6*).**

1. Proctor & Gamble's stock is traded on the _____(1).

   Its ticker symbol is _____(1a).

2. To the right of the recent price is the *Value Line* **price/earnings ratio (*item* 7),** often abbreviated as the **P/E ratio**. All price/earnings ratios are calculated by dividing the recent price of a stock by 12 months of share earnings. But there are some differences.

   Value Line calculates the ratio by dividing the recent price of a stock by the sum of the most recent 6-month's earnings per share and *Value Line*'s estimate of the next six month's estimated earnings per share. *Value Line* believes that the use of both past and future earnings provides the most realistic picture possible.

   At the time this report was written, Procter & Gamble's earnings for the past six months - the December 1999 and March 2000 quarters (*in item 23*) - equaled $1.53 a share ($.88+$.65). *Value Line* was estimating that earnings in the next six months -the June and September 2000 quarters (*in item 23*) - would total $1.63 a share ($.64+$.99).

With a recent stock price of 62 and 12 months earnings per share of $3.16 ($1.53 + $1.63), what is the price/earnings ratio? _____(2)

3. The **trailing price/earnings ratio** (***item 8***) is calculated by dividing the current price of a stock by the earnings per share actually reported for the past 12 months. This is the number used in most newspapers; the newspapers use reported earnings because those are the only numbers available to them since they do not make forecasts as *Value Line* does**.**

Procter & Gamble's actual reported earnings in the past 12 months (the March, June, September, and December quarters of 1999) were $3.03 a share ($.72+$.55+$.88+$.88). What is the stock's trailing price/earnings ratio? _____(3)

4. The **median price/earnings ratio** (***item 8***) is the middle value of a company's P/E ratios over the past 10 years, with certain statistical adjustments. **It shows the typical historical P/E of a stock. (**An investor cannot calculate a median P/E ratio without knowing the precise statistical adjustments *Value Line* uses.)

5. The **relative P/E ratio** (***item 9***) of a stock compares the P/E of one stock with the P/E of all the stocks in the *Value Line* universe of approximately 1,700 stocks. Our calculation of the **relative P/E ratio** is made by dividing Value Line's P/E of this company (***item 7***) by the median P/E of all of the approximately 1,700 stocks included in *The Value Line Investment Survey.* (The median P/E of all stocks can be found each week on the front cover of the *Summary & Index* section.)

Value Line's calculated P/E for Procter & Gamble, shown on the top of the page, is 19.6. The P/E of the *Value Line* universe of stocks at the time the Procter & Gamble report was published was 14.1.
What is Procter & Gamble's relative P/E ratio? _____(5)

Whenever a stock's relative P/E is more than 1, its own P/E is greater than that of the market. If its relative P/E is less than 1, its own P/E is less than that of the market.

Is Procter & Gamble's P/E ratio greater or less than that of the market?

_____(5a)

6. A **dividend** is a payment by a company to a shareholder. It is usually in cash, and the cash is usually paid quarterly.

The **dividend yield (*item 11*)** measures the expected cash dividend to be paid in the coming 12 months as a percent of the recent price of a stock. That is, the expected dividend is divided by the recent price of a stock to arrive at a figure that is shown as a %.

Procter & Gamble's annual dividend in fiscal-year 2000 is expected to be $1.28 a share (see the fourth line in the extensive statistical section (***item 16***) under the heading 2000). What is the stock's yield? _____(6)

7. *Timeliness* (*in item 2*) is *Value Line*'s prediction for the expected price performance of a stock over the coming 6 to 12 months **relative** to all other stocks in the *Value Line* universe of approximately 1,700 stocks. ***Timeliness*** ranks go from **1 (Highest) to 5 (Lowest)**.

At any one time, there is a normal distribution of ranks, so that there are:

100 stocks ranked 1 (Highest)
300 stocks ranked 2 (Above Average)
900 (approx.) stocks ranked 3 (Average)
300 stocks ranked 4 (Below Average)
100 stocks ranked 5 (Lowest)

Stocks with *Timeliness* ranks of 1 or 2 are likely to be above-average performers; those with ranks of 3 are likely to be average performers; those with ranks of 4 or 5 are likely to be below-average performers.

Procter & Gamble's *Timeliness* rank is _____(7). That means that the stock's performance in the coming six to 12 months should be _____(7a).

8. The *Safety* rank (***in item 2***) measures the financial strength of a company and the price volatility of its stock relative to other companies and stocks in the *Value Line* universe. As with *Timeliness* ranks**, Safety** ranks go from 1 (Highest) to 5 (Lowest). *Safety* ranks of 1 or 2 are most suitable for conservative investors.

Procter & Gamble's *Safety* rank is _____(8). Is this stock a good one for someone who wants to minimize risk? _____(8a)

9. The *Technical* rank (***in item 2***) uses a proprietary formula to predict short-term (3-6 months) future price returns of one stock relative to all others in the *Value Line* universe. This rank also goes from 1 (Highest) to 5 (Lowest).

What is Procter & Gamble's *Technical* rank? _____(9) Does this mean that Procter & Gamble's stock is most likely to be an above-average, average, or below-average performer in the coming three to six months? _____(9a)

10. *Beta* (*in item 2*) measures a stock's price sensitivity to fluctuations of the market as a whole, as measured by the New York Stock Exchange Index. If a stock's **Beta** is 1.00, the stock should move in concert with the general market. If its **Beta** is 1.50, its stock price is likely to be 50% more volatile than the market. In this case, if the stock market goes up 10%, the stock should go up 15% (50% more than the market). If the market goes down 10%, this stock should go down 15%.

If a stock's Beta is .80, the stock should be less volatile than the market. When the market goes up 10%, this stock should go up only 8%.

Is Procter & Gamble's stock likely to be more volatile, less volatile, or about the same as the market? _____(10)

11. *Value Line'*s 3- to 5-year **Price Projections** (*item 30*) are shown in the box below **Beta.** The projected 3- to 5-year share price range (indicated by the High and Low numbers) is also shown as the Target Price Range *(item 12)* in the upper right hand corner of the price chart, with a pair of broken lines.

Value Line is forecasting that the price of Procter & Gamble's stock 3 to 5 years from now will trade in a range between _____(11) and _____(11a).

12. Below the Price Projections box is another box titled **Insider Decisions (*item 29*)**. This box shows decisions **to buy** stock, to exercise **options,** and **to sell** stock by "insiders" in the past nine months. It shows the number of transactions in each category each month. (Insiders are defined as officers and directors of a company, and we note that each transaction is counted separately. For instance, if an officer buys or sells stock in his company 3 times a month, the transactions are listed as 3.)

Have insiders bought stock in the past nine months? _____(12)

Have they exercised options? _____(12a)

Have they sold stock? _____(12b)

13. The **Institutional Decisions** box (*item 28*) shows the number of times institutions with more than $100 million of assets under management bought or sold stock of this company during the past three quarters. It also shows the total number of shares of stock in this company held by these institutions at the end of each quarter.

Did the number of shares of Procter & Gamble owned by institutions rise or fall in the most recent quarter? _____(13)

Now let's look at the **Stock Price Chart** (*item 13*) toward the top of each page.

14. The **high and low calendar year prices** of a stock are shown at the top of each chart (*item 10*). (A calendar year is January 1st through December 31st.) The years are identified at the bottom of the chart.

What was the price range of Procter & Gamble's stock in 1998?

High _____(14) Low _____(14a)

15. In the chart, the **vertical bars** (*item 4*) represent the high/low monthly price ranges for a stock. Stock splits are also indicated (2-for-1, for example, in 1997).

How many stock splits has Procter & Gamble had since 1988? _____(15)

16. The solid dark line in the chart is a **"Cash Flow" Line (*item 5*)**, sometimes called the **"Value Line."** One theory is that the price of a stock will tend to gravitate to this line. When the price of a stock gets above the line, the tendency over time will be for the price to go back down toward the line; when it gets below the line, there will be a tendency for the price to rise up to the line. (There are some stocks for which this theory has worked very well and others for which it hasn't. An investor should look at the historical price pattern of each stock and make a judgment about whether or not the theory applies to a particular stock.)

Is Procter & Gamble's stock price now above or below the cash flow line? _____(16)

17. The dotted line toward the bottom of the chart shows the **Relative Strength** of a stock. It compares the price of a stock at any one time with the price of the *Value Line Arithmetic Index* (a good broad representation of the stock market, based on all of the nearly 1,700 stocks in *The Value Line Investment Survey*). If the **Relative Strength Line** is rising, the stock price is going up more than the market, if the line is falling, the stock price is going up less.
Has Procter & Gamble's stock been going up more, about the same, or less than the market recently? _____(17)

18. The **Legends** box (*item 3*) contains a number of useful items. First, it explains what the solid line and the dotted line are. Then, it shows the "multiple" of cash flow per share (shown in the statistical section below) which is used to plot the **"Cash Flow" Line**. The multiple is a number determined by an analyst to develop a line that most closely matches the actual historical prices of a stock. The box also includes the dates of **stock splits**, indicates if there are **options** traded on a stock, and explains that the **shaded bar** indicates a recession.

Are there options traded on Procter & Gamble stock? _____(18)

19. The **% Total Return** box (*item 14*) shows the historical total return of a stock (appreciation or depreciation plus any cash dividends) over the past 1, 3, and 5 years and also the total return of the *Value Line Arithmetic Index* over the same periods. The figures are not averaged or compounded.

What was the % total return of Procter & Gamble's stock during the past year? _____(19)

What was the % total return of the *Value Line Arithmetic Index* during the past year? _____(19a)

Did Procter & Gamble's stock do better or worse than the *Value Line Index* over the past year? _____(19b)

Did it do better or worse than the index over the past five years?_____(19c)

20. The many columns of numbers in the center of the page are in what *Value Line* calls the **Statistical Array (*item 16*)**. It is worth noting here that every time there is a stock split (2-for-1, 3-for-1, etc.) or a stock dividend (10%, 20%, etc.) all historical stock prices and per share data (sales per share, earnings per share, etc.) are adjusted for the stock splits and dividends. (In a 2-for-1 split, for example, all historical figures are divided by 2.) **Split adjustments are a universal practice** and are the primary reason why many of the numbers in one *Value Line* report may look quite different than those in an earlier report.

There are two basic sections to the **Statistical Array**. The numbers in the top portion are all **per share** data. The numbers in the lower portion are **total** (or gross) figures. Also, the numbers to the left (prior to 2000) are **historical,** the numbers to the right (in **bold**) are **projections**.

What were Procter & Gamble's earnings per share in 1998? _____(20)

What does Value Line expect Procter & Gamble's earnings per share will be in 2003-05? _____(20a)

21. The **Statistical Array** contains a great many financial numbers and ratios. They are all generally commonly used items, and they are defined in the glossary of *How To Invest In Common Stocks.*

There is much very useful information in the **Statistical Array**. Broadly speaking, the data allow investors to examine trends in a company's business.

Have Procter & Gamble's sales been rising over time? _____(21)

Have Procter & Gamble's sales ever fallen from one year to the next during the past 10 years? _____(21a) If so, when? _____(21b)

Has Procter & Gamble's Net Profit Margin (net profits after all expenses, including taxes, as a % of sales) been rising, falling, or staying level? _____(21c)

Has Procter & Gamble's Return on Shareholders' Equity been rising, falling, or staying level? _____(21d)

22. Most of the total (gross) numbers in the **Statistical Array** are in millions of dollars ($mill). The number 37154, for example, means $37,154,000,000; 1327 means $1,327,000,000.

What were Procter & Gamble's sales in 1999? _____(22) What was Procter & Gamble's net profit in 1999? _____(22a)

23. The **Capital Structure** Box (*item 26*) shows a variety of things, including the total amount of **Debt Outstanding**; **Long-term Debt;** the number of **common shares** outstanding; and **Market Capitalization.**

Market Capitalization is the dollar value of common stock outstanding. It is calculated by multiplying the **number of shares** outstanding by the **price of** the stock.

The two numbers multiplied to calculate the **Market Capitalization** of Procter & Gamble are _____(23) and _____(23a).

By the definitions used in *The Value Line Investment Survey*:

A Large Capitalization Issue = $5 billion or more
A Mid Capitalization Issue = $1 billion to $5 billion
A Small Capitalization Issue = less than $1 billion

Is the **Market Capitalization** of Procter & Gamble, Large, Mid, or Small? _____(23b)

24. Procter & Gamble's current assets and current liabilities (items scheduled to be converted into cash or to be paid within one year) are shown in the section called the **Current Position (*item 25*)**. It shows current assets, which include cash, receivables, and inventories, and current liabilities, which include accounts payable and debt due within one year.

How much did Procter & Gamble have invested in inventory on 12/31/99? _____(24) What was the total of its Current Assets? _____(24a) Current Liabilities? _____(24b)

25. The **Annual Rates** box (*item 24*) shows annual compound rates of change of a company's **sales, cash flow, earnings, dividends**, and **book value** over the past **10** and **5 years** and for **5 years** into the future.

In each case, the growth rates are calculated from a base which is the average of 3 years to an ending period which is also the average of 3 years. For example, a ten-year growth rate is calculated from a base of 1987-1989 to a base of 1997-1999.

Was Procter & Gamble's sales growth in the past 5 years, faster, slower, or the same as its sales growth over the past 10 years? _____(25)

Does the analyst think sales growth is likely to be faster or slower in the next 5 years? _____(25a)

Was Procter & Gamble's earnings growth in the past 5 years, faster, slower, or the same as its earnings growth over the past 10 years? _____(25b)

Does the analyst think earnings growth is likely to be faster, slower, or about even in the next 5 years? _____(25c)

26. The **Business Summary** (*item 17*) includes: a condensed summary of a company's operations, showing important products, markets, etc.; any shareholders owning more than 5% of the stock, including ESOPs (Employee Stock Ownership Plans); a company's address, telephone number, and Internet address; and other relevant information.

What are the names of three of Procter & Gamble's products?
_____(26), _____(26a), _____(26b)
How much of Procter & Gamble's earnings come from outside the United States? _____(26c)

27. The **Analyst's Commentary (*item 18*)**, the lengthy text in the lower right portion of each report, is thought by many investors to be the most important item on the page. This is where a Security Analyst describes the outlook he/she sees for a company in the coming years, and, usually, provides reasons for the forecasts.

After reading the commentary about Procter & Gamble, do you think the analyst is suggesting the 3- to 5-year earnings outlook for Procter & Gamble is positive or negative? _____(27)

28. Quarterly Sales, Earnings, and **Dividend Data** (*items 23 and 22*) are shown in the lower left portion of each report. An examination of the trends in quarterly sales and earnings can often provide insights into changing conditions. As an example, look at **sales** in the most recently reported quarter (December) when they totaled $10,588,000,000. Then look at **sales** in the December quarter a year earlier.

What was the % increase in **sales** from December 1998 to December 1999? _____(28)

Now compare **sales** in the latest September quarter with those in the September quarter a year before.
What was the year-to-year % increase in **sales** in that period?_____(28a)

Was the year-to-year % increase in sales in the December quarter more or less than the year-to-year % increase in the September quarter? _____(28b)

Were **earnings per share** in the latest reported quarter (December) higher than those in the similar period a year earlier (December)? _____(28c)

What was the year-to-year quarterly percent change in earnings?_____(28d)

29. Procter & Gamble has had what appears to be a policy of regularly increasing its dividends. It has increased the dividend at approximately the same time in each of the past five years.

What is the quarter (March, June, September, December) when it increased the dividend? _____(29)

30. The heading over the fourth column of numbers in the **Quarterly Sales** and **Earnings Per Share** boxes shows when a company's **fiscal year ends**.

When does Procter & Gamble's fiscal year end? _____(30)

31. The **footnotes (*item 21*)** at the bottom of each page explain a lot, including: the way earnings are reported - **basic** or **diluted**; **unusual gains** or **losses**; the availability of **DRIPs** (Dividend Reinvestment Plans, in which companies make it easy for shareholders to reinvest their dividends in more stock); **dividend payment dates;** and special explanations, as necessary.

When is Procter & Gamble expected to pay its next dividend? _____(31)

Does Procter & Gamble have a DRIP? _____(31a)

32. A variety of unique **ratings** (*item 20*) are shown in the box in the lower right of each report. Each of these items is defined briefly below and in more detail in *How To Invest In Common Stocks.* **Financial Strength** ratings**,** which measure the financial condition of a company, range from a high of A++ to a low of C. A **Stock's Price Stability**, **Price Growth Persistence**, and **Earnings Predictability** ratings go from a high of 100 to a low of 5. **Price Stability** measures he variability of the price of a stock over time, **Price Growth Persistence** is a measure of stock price growth over time, and **Earnings Predictability** measures the expected reliability of earnings forecasts.

In which categories does Procter & Gamble score at the very top?

_____

_____

_____(32)

Notes

1. **Company name,** followed by the Stock Exchange where traded (NYSE = New York; ASE = American; NDQ = NASDAQ; TO = Toronto) and stock ticker symbol.

2. **Value Line's Ranks**—the rank for Timeliness; the rank for Safety; the Technical rank. Beta, the stock's sensitivity to fluctuations of the market as a whole, is included here but is not a rank.

3. The **Legends** box contains the "cash flow" multiple, the amounts and dates of recent stock splits and an indication if options on the stock are traded.

4. **Monthly price ranges** of the stock—plotted on a ratio (logarithmic) grid to show percentage changes in true proportion. For example, a ratio chart equalizes the move of a $10 stock that rises to $11 with that of a $100 stock that rises to $110. Both have advanced 10% and over the same space on a ratio grid.

5. **The "cash flow" line**—reported earnings plus depreciation ("cash flow") multiplied by a number selected to correlate the stock's 3- to 5-year projected target price, with "cash flow" projected out to 2000-2001.

6. **Recent price**—see page 2 of the *Summary & Index* for the date, just under "Index to Stocks."

7. **P/E ratio**—the recent price divided by the latest six months' earnings per share plus earnings estimated for the next six months.

8. **Trailing and median P/E**—the first is the recent price divided by the sum of reported earnings for the past 4 quarters; the second is an average of the price/earnings ratios over the past 10 years.

9. **Relative P/E ratio**—the stock's current P/E divided by the median P/E for all stocks under Value Line review.

10. The stock's **highest** and **lowest** price of the calendar year.

11. **Dividend yield**—cash dividends estimated to be declared in the next 12 months divided by the recent price.

12. **Target Price Range**, estimated. The range is placed in the upper right hand portion of the price chart and is also shown in the "2003-05 Projections" box on the upper left side of the page.

13. **Stock Price Chart,** including monthly stock price ranges and a variety of other data.

14. **The % Total Return** shows the price appreciation and dividends of a stock and the Value Line Arithmetic Composite Index for the past 1, 3, and 5 years.

15. **The percent of shares traded monthly**—the number of shares traded each month as a % of the total outstanding.

16. **Statistical Array**—historical financial data appears in regular type.

17. **Business Data**—a brief description of the company's business and major products along with other important data.

18. **Analyst's Commentary**—an approximately 350-word report on recent developments and prospects—issued every three months on a preset schedule.

19. **The expected date of receipt** by subscribers. *The Survey* is mailed on a schedule that aims for receipt by every subscriber on Friday afternoon.

20. Value Line's Indexes of **Financial Strength, Stock's Price Stability, Price Growth Persistence, and Earnings Predictability.**

21. **Footnotes** explain a number of things, such as the way earnings are reported, whether basic or diluted.

22. **Quarterly dividends paid** are actual payments. The total of dividends paid in four quarters may not equal the figure shown in the annual series on dividends declared in the Statistical Array. (Sometimes a dividend declared at the end of the year will be paid in the first quarter of the following year.)

23. **Quarterly sales** are shown on a gross basis. **Quarterly earnings** on a per-share basis. (**Estimates are in bold type**.

24. **Annual rates of change** (on a compound per-share basis). Actual for each of the past 5 and 10 years, estimated for the next 3 to 5 years.

25. **Current position**—total current assets and total current liabilities, and their detail.

26. **The capital structure** as of the indicated recent date showing, among other things, the $ amount and % of capital in long-term debt, preferred stock, and common stock; the number of times that total interest charges were earned.

27. **Statistical Array**—Value Line estimates appearing in the area on the right side are in *bold italics.*

28. **Decisions made by the biggest institutions**—the number of times institutions with more than $100 million of assets under management bought or sold stock during the past three quarters and the total number of shares held by those institutions at the end of each quarter.

29. **The record of insider decisions**—the number of times officers and directors bought or sold stock or exercised options during the past 9 months.

30. **The projected stock price returns** to 2003-05. The total expected % gain/loss before dividends and the Annual Total Return (% compounded including dividends).

Sample Value Line Stock Page

PROCTER & GAMBLE NYSE-PG

| RECENT PRICE | **62** | P/E RATIO | **19.6** | (Trailing: 20.5 Median: 18.0) | RELATIVE P/E RATIO | **1.39** | DIV'D YLD | **2.1%** | VALUE LINE |

TIMELINESS 4 Lowered 3/17/00
SAFETY 1 New 7/27/90
TECHNICAL 3 Lowered 4/14/00
BETA .90 (1.00 = Market)

| High: | 17.6 | 22.8 | 23.8 | 27.9 | 29.4 | 32.3 | 44.8 | 55.5 | 83.4 | 94.8 | 115.6 | 118.4 |
| Low: | 10.5 | 15.4 | 19.0 | 22.6 | 22.6 | 25.6 | 30.3 | 39.7 | 51.8 | 65.1 | 82.0 | 52.8 |

LEGENDS
16.0 x "Cash Flow" p sh
··· Relative Price Strength
2-for-1 split 11/89
2-for-1 split 6/92
2-for-1 split 9/97
Options: Yes
Shaded area indicates recession

Target Price Range 2003 2004 2005

2003-05 PROJECTIONS
	Price	Gain	Ann'l Total Return
High	135	(+120%)	23%
Low	110	(+75%)	17%

Insider Decisions
	M	J	J	A	S	O	N	D	J
to Buy	0	0	0	0	0	0	0	0	1
Options	3	1	0	4	0	0	6	0	1
to Sell	3	0	0	8	1	0	9	1	1

Institutional Decisions
	2Q1999	3Q1999	4Q1999	
to Buy	450	477	488	Percent shares traded 6.0 / 4.0 / 2.0
to Sell	443	408	433	
Hld's(000)	668214	685910	682180	

% TOT. RETURN 3/00
	THIS STOCK	VL ARITH. INDEX
1 yr.	-41.6	19.5
3 yr.	2.4	56.0
5 yr.	84.4	121.2

1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	© VALUE LINE PUB., INC.	03-05
9.69	10.12	11.47	12.57	14.27	16.51	17.38	19.98	21.63	22.32	22.14	24.35	25.73	26.48	27.78	28.89	*31.20*	*33.95*	Sales per sh A	*42.20*
.89	.75	.89	1.04	1.26	1.51	1.65	1.96	2.08	2.24	2.37	2.76	3.14	3.55	3.94	4.69	*5.05*	*5.50*	"Cash Flow" per sh	*7.80*
.65	.48	.53	.57	.75	.89	1.03	1.23	1.31	1.41	1.55	1.86	2.15	2.28	2.56	2.85	*3.05*	*3.45*	Earnings per sh B	*5.15*
.30	.33	.33	.34	.34	.38	.44	.49	.52	.55	.62	.70	.80	.90	1.01	1.14	*1.28*	*1.43*	Div'ds Decl'd per sh C ∎	*2.20*
.69	.84	.79	.68	.71	.79	.94	1.46	1.41	1.40	1.35	1.56	1.59	1.58	1.91	2.14	*2.75*	*2.95*	Cap'l Spending per sh	*3.60*
3.80	3.94	4.24	4.24	4.68	4.02	4.71	4.25	5.22	4.01	5.03	6.32	7.17	7.54	7.79	7.79	*8.35*	*9.50*	Book Value per sh D	*14.25*
1335.9	1339.4	1346.1	1352.2	1354.9	1295.9	1385.2	1352.4	1357.6	1363.5	1368.7	1373.1	1371.2	1350.8	1337.5	1319.8	*1300.0*	*1285.0*	Common Shs Outst'g E	*1250.0*
10.2	14.6	15.8	18.0	14.4	12.2	16.2	16.7	17.4	17.8	17.5	17.1	19.0	24.1	30.8	30.8	Bold figures are Value Line estimates		Avg Ann'l P/E Ratio	*24.0*
.95	1.19	1.07	1.20	1.20	.92	1.20	1.07	1.06	1.05	1.15	1.14	1.19	1.39	1.60	1.76			Relative P/E Ratio	*1.60*
4.5%	4.7%	4.0%	3.3%	3.2%	3.4%	2.6%	2.4%	2.3%	2.2%	2.3%	2.2%	2.0%	1.6%	1.3%	1.3%			Avg Ann'l Div'd Yield	*1.8%*

CAPITAL STRUCTURE as of 12/31/99
Total Debt $13482 mill. **Due in 5 Yrs** $7000 mill.
LT Debt $8703 mill. **LT Interest** $535.0 mill.
(Total interest coverage: 15.0x) (41% of Cap'l)
Pension Liability $926.0 mill. in '99 vs. $843.0 mill. in '98.
Pfd Stock $1758 mill. **Pfd Div'd** $100.0 mill.
(ESOP owns 58,342,000 Class A shares and 37,485,000 Class B shares; each A and B pfd. share is convertible into one common share.) (8% of Cap'l)
Common Stock 1,315,714,296 shs. (51% of Cap'l) (1435.8 mill. fully dil. shares)
MARKET CAP: $81.6 billion (Large Cap)

	24081	27026	29362	30433	30296	33434	35284	35764	37154	38125	*40585*	*43625*	Sales ($mill)	*52720*
	12.6%	13.5%	13.3%	14.1%	15.6%	16.2%	17.5%	19.5%	20.6%	23.2%	*23.0%*	*23.5%*	Operating Margin	*26.5%*
	859.0	956.0	1051.0	1140.0	1134.0	1253.0	1358.0	1487.0	1598.0	2148.0	*2300*	*2400*	Depreciation ($mill)	*2875*
	1477.0	1773.0	1872.0	2015.0	2211.0	2645.0	3046.0	3415.0	3780.0	4148.0	*4375*	*4780*	Net Profit ($mill)	*6950*
	35.7%	34.0%	35.1%	34.0%	33.9%	33.9%	34.8%	34.9%	33.8%	34.0%	*34.0%*	*34.0%*	Income Tax Rate	*34.0%*
	6.1%	6.6%	6.4%	6.6%	7.3%	7.9%	8.6%	9.5%	10.2%	10.9%	*10.8%*	*11.0%*	Net Profit Margin	*13.2%*
	2227.0	1702.0	1724.0	1688.0	1948.0	2194.0	2982.0	2988.0	1327.0	597.0	*1700*	*1630*	Working Cap'l ($mill)	*1655*
	3588.0	4111.0	5223.0	5174.0	4980.0	5161.0	4670.0	4143.0	5765.0	6231.0	*8000*	*8000*	Long-Term Debt ($mill)	*8750*
	7518.0	7736.0	9071.0	7441.0	8832.0	10589	11722	12046	12236	12058	*12630*	*13950*	Shr. Equity ($mill)	*19570*
	15.0%	16.2%	14.3%	17.3%	17.4%	18.0%	19.7%	22.2%	22.1%	23.9%	*22.5%*	*23.0%*	Return on Total Cap'l	*25.5%*
	19.6%	22.9%	20.6%	27.1%	25.2%	25.0%	26.0%	28.3%	30.9%	34.4%	*34.5%*	*34.5%*	Return on Shr. Equity	*35.5%*
	12.9%	17.8%	15.3%	21.3%	18.3%	18.2%	18.7%	20.5%	22.3%	24.5%	*24.0%*	*23.0%*	Retained to Com Eq	*23.0%*
	43%	42%	42%	42%	43%	40%	39%	39%	39%	39%	*40%*	*41%*	All Div'ds to Net Prof	*41%*

CURRENT POSITION
($MILL.)	1998	1999	12/31/99
Cash Assets	2406.0	2800.0	2274.0
Receivables	2781.0	2940.0	3576.0
Inventory (FIFO)	3284.0	3338.0	3759.0
Other	2106.0	2280.0	2465.0
Current Assets	10577.0	11358.0	12074.0
Accts Payable	2051.0	2300.0	*2330.0*
Debt Due	2281.0	3150.0	4779.0
Other	4918.0	5311.0	*4532.0*
Current Liab.	9250.0	10761.0	11641.0

BUSINESS: The Procter & Gamble Company makes detergents, soaps, toiletries, foods, paper, & industrial products. Brands include: *Tide, Cheer, Bold, Oxydol, Era, Crest, Ivory, Zest, Coast, Safeguard, Dawn, Joy, Cascade, Always, Tampax, Downy, Pringles, Bounce, Comet, Head & Shoulders, Prell, Scope, Secret, Bounty, Charmin, Pampers, Luvs, Crisco, Jif, Folger's, Cover Girl, Noxzema, Old Spice.* Foreign operations: 28% of '99 prof. Has about 110,000 employees, 273,000 stockholders. '99 depr. rate: 10.0%. Est'd plant age: 5 yrs. ESOP controls about 7% of com. (and equiv.) shares (8/99 proxy). Chairman, C.E.O. & President: Durk Jager. Inc.: Ohio. Address: 1 Procter & Gamble Plaza, Cincinnati, Ohio 45202. Telephone: 513-983-1100. Internet: www.pg.com.

ANNUAL RATES
of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '97-'99 to '03-'05
Sales	6.5%	4.5%	7.5%
"Cash Flow"	12.5%	12.5%	11.5%
Earnings	13.5%	12.5%	12.5%
Dividends	11.0%	12.5%	13.5%
Book Value	6.0%	10.0%	11.0%

QUARTERLY SALES ($ mill.) A
Fiscal Year Ends	Sep.30	Dec.31	Mar.31	Jun.30	Full Fiscal Year
1997	8903	9142	8771	8948	35764
1998	9355	9641	8881	9277	37154
1999	9510	9934	9231	9450	38125
2000	9919	10588	*9875*	*10203*	*40585*
2001	*10660*	*11380*	*10615*	*10970*	*43625*

EARNINGS PER SHARE A B
Fiscal Year Ends	Sep.30	Dec.31	Mar.31	Jun.30	Full Fiscal Year
1997	.65	.63	.59	.41	2.28
1998	.73	.71	.65	.47	2.56
1999	.80	.78	.72	.55	2.85
2000	.88	.88	*.65*	*.64*	*3.05*
2001	*.99*	*.99*	*.74*	*.73*	*3.45*

QUARTERLY DIVIDENDS PAID C ∎
Calendar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
1996	.20	.20	.225	.225	.85
1997	.225	.225	.253	.253	.96
1998	.253	.253	.285	.285	1.08
1999	.285	.285	.32	.32	1.21
2000	.32				

Procter & Gamble shares have fallen from grace . . . Indeed, long considered one of the safest stocks of all, Procter & Gamble stock is down about 50% from its 12-month high. That reflects the company's announcement that March quarter results would fall well short of earlier expectations. At its current quotation, this issue offers noteworthy recovery potential over the long haul to 2003–2005. However, investors should also note that Procter & Gamble's Timeliness rank has dropped a notch to 4 (Below Average).
. . . as management guides estimates lower for fiscal 2000's second half (year ends June 30, 2000). The primary reason for the earnings shortfall is an acceleration in costs of pulp and petroleum, which are unlikely to be offset by a price increase already levied on paper goods. We also expect increased manufacturing and distribution expenses in Europe, as production is adjusted to work down excess inventories from ongoing restructuring efforts there. Moreover, unusual pricing pressures in Argentina, Chile, and Brazil are likely to continue to restrain margins for at least the balance of this fiscal year.

Contractual payments from Aventis for Actonel, the company's osteoporosis drug, have also been shifted to the June quarter due to delays of FDA approval in the U.S. Finally, recent softness in the food and beverage unit is partly due to escalating competition in the snack category in North America. All told, we expect share earnings in fiscal 2000's third quarter to fall about 10% below year-ago levels; full-year share net should increase about 7%.
But the company firmly stands behind its current business strategy. Management indicates that its aggressive new product introductions are successfully fueling higher annual revenue growth, and current efforts are focusing on profitability. We expect cost savings to stem from Organization 2005 restructuring activities, such as the divestiture of brands that do not match P&G's long-term goals. Procter's *Oxydol* laundry detergent brand and its commercial shortening and oil businesses appear to be the next to go. In all, these initiatives should help drive double-digit earnings gains over the coming 3 to 5 years.
Constance M. Reaves *April 14, 2000*

(A) Fiscal year ends June 30th.
(B) Based on average shares thru '96, diluted thereafter. Excl. nonrecurring gains (losses): '84, $0.03; '87, ($0.03); '90, $0.09; '93, ($1.95); '99 ($0.26); 1Q '00, ($0.08). Next earnings report due late April.
(C) Next div'd meet'g about mid-April. Goes ex late April. Dividend payment dates: Feb. 15, May 15, Aug. 15, Nov. 15. ∎ Div'd reinv. plan available.
(D) Incl. intang. At 6/30/99: $6822 mill., $5.17/sh. (E) In mill., adj. for stock splits.

Company's Financial Strength	A++
Stock's Price Stability	85
Price Growth Persistence	100
Earnings Predictability	100

Answers

1. New York Stock Exchange; **1a**. PG

2. 19.6

3. 20.5

5. 1.39; **5a**. Greater

6. 2.1%

7. 4; **7a**. Below Average

8. 1; **8a**. Yes

9. 3; **9a**. Average

10. Less Volatile

11. 135; **11a**. 110

12. Yes; **12a**. Yes; **12b**. Yes

13. Fall

14. 94.8; **14a**. 65.1

15. Three

16. Below

17. Less

18. Yes

19. -41.6%; **19a.** +19.5%; **19b.** Worse; **19c.** Worse

20. $2.56; **20a.** $5.15

21. yes; **21a.** yes; **21b.** 1994; **21c.** Rising; **21d.** Rising

22. $38,125,000,000 (or $38.1 billion); **22a.** $4,148,000,000 (or $4.1 billion)

23. 1,315,714,296; **23a.** 62; **23b.** Large

24. $3,759,000,000; **24a.** $12,074,000,000; **24b.** $11,641,000,000

25. Slower; **25a.** Faster; **25b.** Slower; **25c.** About even

26. *Tide;* **26a.** *Cheer;* **26b.** *Bold*; **26c.** 28%

27. Positive

28. 6.6%; **28a.** 4.3%; **28b.** More; **28c.** Yes; **28d.** 12.8%

29. September

30. June 30

31. May 15; **31a.** Yes

32. Company's Financial Strength, Price Growth Persistence,
Earnings Predictability

To analyze your performance, see page 23.

Results/Performance

While the exercise of reading through the preceding text and filling in the blanks or answering the questions was not intended to be a test, but rather a guide to reading the Value Line page, there are some people who are always anxious to know how they performed. We suggest the following:

How Did You Do?

NUMBER WRONG	EVALUATION
0-3	Expert
4-6	Very Good
7-10	Passed
11 or more	You should probably restudy the workbook

Value Line Publishing, Inc.