



## 2 EVALUATING Management

Alimentation Couche-

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Last 5 Year Avg.
Pre-tax Profit on Sales	2.6%	1.8%	2.5%	3.6%	4.7%	4.2%	3.4%	3.7%	5.4%	7.3%	4.8%
% Earned on Equity		17.9%	21.7%	23.5%	25.2%	20.7%	22.5%	20.8%	23.3%	21.7%	21.8%
% Debt To Capital	23.4%	52.8%	39.7%	44.1%	36.2%	35.8%	54.0%	43.8%	50.8%	44.1%	45.7%

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

This shows how stock prices have fluctuated with earnings and dividends. It is building block for translating earnings into future stock prices.

**CLOSING PRICE** 39.77 (01/07/22)

**HIGH THIS YEAR** 45.85

**LOW THIS YEAR** 29.28

	A	B	C	D	E	F	G	H
Year	Price		Earnings	Price Earnings Ratio		Dividend	% Payout	% High Yield
	High	Low	Per Share	High A / C	Low B / C	Per Share	F / C * 100	F / B * 100
2016	25.5	19.3	1.06	24.1	18.2	0.13	12.0	0.7
2017	26.8	21.7	1.48	18.2	14.7	0.14	9.6	0.7
2018	30.5	20.6	1.63	18.7	12.7	0.16	10.0	0.8
2019	34.3	20.5	2.09	16.4	9.8	0.19	9.1	0.9
2020	35.7	28.8	2.44	14.6	11.8	0.24	9.9	0.8
AVERAGE		22.2		17.0	12.2		10.1	
CURRENT/TTM			2.43			0.34	14.1	
AVERAGE PRICE EARNINGS RATIO: 14.6				CURRENT PRICE EARNINGS RATIO: 16.4				

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

Assuming one recession and one business boom every 5 years, calculations are made of how high and how low the stock might sell. The upside-downside ratio is the key to evaluating risk and reward.

### A HIGH PRICE - NEXT 5 YEARS

Avg. High P/E 16.0 X Estimate High Earnings/Share 4.89 = Forecasted High Price \$ 78.2

### B LOW PRICE - NEXT 5 YEARS

(a) Avg. Low P/E 11.0 X Estimate Low Earnings/Share 2.43 = Forecasted Low Price \$ 26.7

(b) Avg. Low Price of Last 5 Years 22.2

(c) Recent Market Low Price 20.5

(d) Price Dividend Will Support  $\frac{\text{Indicated Dividend}}{\text{High Yield}} = \frac{0.34}{0.93\%} = 36.8$

Selected Forecasted Low Price \$ 26.7

### C ZONING using 25%-50%-25%

Forecasted High Price 78.2 Minus Forecasted Low Price 26.7 = 51.5 Range. 25% of Range 12.9

Buy Zone 26.7 to 39.6

Hold Zone 39.6 to 65.3

Sell Zone 65.3 to 78.2

Present Market Price of 39.77 is in the **HOLD** Zone

### D UPSIDE DOWNSIDE RATIO (POTENTIAL GAIN VS. RISK OR LOSS)

$\frac{\text{High Price } 78.2 - \text{Minus Present Price } 39.77}{\text{Present Price } 39.77 - \text{Minus Low Price } 26.7} = \frac{38.43}{13.07} = 2.9$  To 1

### E PRICE TARGET (Note: This shows the potential market price appreciation over the next five years in simple interest terms.)

$\frac{\text{High Price } 78.2}{\text{Closing Price } 39.77} = 1.9663 \times 100 = 196.63 - 100 = 96.6$  % Appreciation

## 5 5-YEAR POTENTIAL

This combines price appreciation with dividend yield to get an estimate of total return. It provides a standard for comparing income and growth stocks.

**A**  $\frac{\text{Indicated Annual Dividend } 0.24}{\text{Closing Price } 39.77} = 0.0086 = 0.9\%$  Current Yield

### B AVERAGE YIELD - USING FORECAST HIGH P/E

$\frac{\text{Avg. \% Payout } 10.1\%}{\text{Forecast High PE } 16.00} = 0.6\%$

### AVERAGE YIELD - USING FORECAST AVERAGE P/E

$\frac{\text{Avg. \% Payout } 10.1\%}{\text{Forecast Average PE } 13.50} = 0.7\%$

### C COMPOUND ANNUAL RETURN - USING FORECAST HIGH P/E

Annualized Appreciation 14.5 %  
Average Yield 0.6 %  
Annualized Rate of Return 15.1 %

### COMPOUND ANNUAL RETURN - USING FORECAST AVG P/E

Annualized Appreciation 10.7 %  
Average Yield 0.7 %  
Annualized Rate of Return 11.4 %