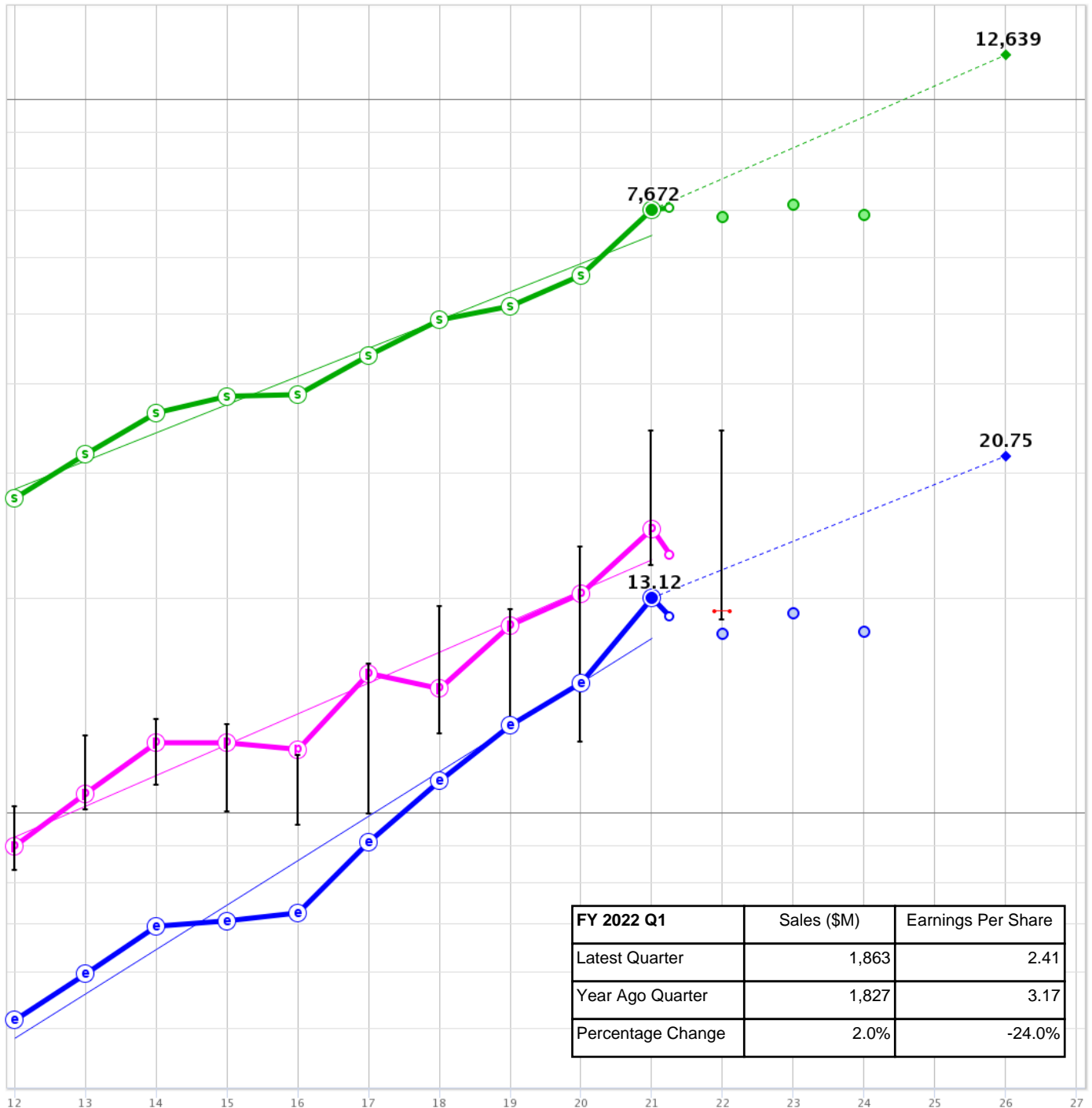


# Stock Selection Guide

Company	T. Rowe Price Gr		Date	05/06/22	
Prepared by	K EMMONS		Data taken from	BI Stock Data	
Where traded	NAS	Industry	Asset Management		
Capitalization --- Outstanding Amounts	Reference				
Preferred (\$M)	0.0	% Insiders	% Institution		
Common (M Shares)	229.8	7.9	67.2		
Debt (\$M)	211.8	% to Tot Cap	2.3	% Pot Dil	0.7

Symbol: TROW

## 1 VISUAL ANALYSIS of Sales, Earnings, and Price



- |                                   |       |  |       |
|-----------------------------------|-------|--|-------|
| (1) Historical Sales Growth       | 9.5%  | (3) Historical Earnings Per Share Growth       | 15.4% |
| (2) Estimated Future Sales Growth | 10.5% | (4) Estimated Future Earnings Per Share Growth | 9.6%  |

## 2 EVALUATING Management

T. Rowe Price Gr

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Last 5 Year Avg.
Pre-tax Profit on Sales	47.5%	48.8%	50.3%	47.7%	46.4%	52.3%	44.4%	52.1%	52.2%	52.1%	50.6%
% Earned on Equity	22.5%	22.5%	22.7%	24.8%	24.1%	26.5%	26.8%	29.9%	31.9%	36.4%	30.3%
% Debt To Capital	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	2.0%	2.0%	2.7%	1.3%

## 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** 125.83 (05/06/22)

**HIGH THIS YEAR** 224.56

**LOW THIS YEAR** 122.22

	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
2017	106.1	65.3	5.97	17.8	10.9	2.28	38.2	3.5
2018	127.4	84.6	7.27	17.5	11.6	2.80	38.5	3.3
2019	126.2	86.6	8.70	14.5	10.0	3.04	34.9	3.5
2020	154.3	82.5	9.98	15.5	8.3	3.60	36.1	4.4
2021	224.6	145.8	13.12	17.1	11.1	4.32	32.9	3.0
AVERAGE		93.0		16.5	10.4		36.1	
CURRENT/TTM			12.36			4.80	38.8	
AVERAGE PRICE EARNINGS RATIO: 13.4				CURRENT PRICE EARNINGS RATIO: 10.2				

## 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 16.5 X Estimate High Earnings/Share 20.75 = Forecasted High Price \$ 342.4

### B LOW PRICE - NEXT 5 YEARS

(a) Avg. Low P/E 10.8 X Estimate Low Earnings/Share 12.36 = Forecasted Low Price \$ 133.5

(b) Avg. Low Price of Last 5 Years 93.0

(c) Recent Market Low Price 82.5

(d) Price Dividend Will Support  $\frac{\text{Indicated Dividend}}{\text{High Yield}} = \frac{4.80}{4.36\%} = 110.0$

Selected Forecasted Low Price \$ 82.5

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

Forecasted High Price 342.4 Minus Forecasted Low Price 82.5 = 259.8 Range. 25% of Range 65.0

Buy Zone 82.5 to 147.5

Hold Zone 147.5 to 277.4

Sell Zone 277.4 to 342.4

Present Market Price of 125.83 is in the **BUY** Zone

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

$\frac{\text{High Price} - \text{Present Price}}{\text{Present Price} - \text{Low Price}} = \frac{342.4 - 125.83}{125.83 - 82.5} = \frac{216.57}{43.33} = 5.0$  To 1

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

$\frac{\text{High Price} - \text{Closing Price}}{\text{Closing Price}} = \frac{342.4 - 125.83}{125.83} = 2.7207$  X 100 = 272.07 - 100 = 172.1 % 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**  $\frac{\text{Indicated Annual Dividend}}{\text{Closing Price}} = \frac{4.32}{125.83} = 0.0381 = 3.8\%$  Current Yield

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

$\frac{\text{Avg. \% Payout}}{\text{Forecast High PE}} = \frac{38.6\%}{16.50} = 2.3\%$

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

$\frac{\text{Avg. \% Payout}}{\text{Forecast Average PE}} = \frac{38.6\%}{13.65} = 2.8\%$

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

Annualized Appreciation 22.2 %  
Average Yield 2.3 %  
Annualized Rate of Return 24.5 %

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

Annualized Appreciation 17.6 %  
Average Yield 2.8 %  
Annualized Rate of Return 20.4 %