

2 EVALUATING Management

BioSpecifics Technol

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Last 5 Year Avg.
Pre-tax Profit on Sales	-67.1%	-26.6%	46.2%	46.3%	55.1%	50.0%	64.0%	66.2%	66.9%	75.2%	64.5%
% Earned on Equity	-33.2%	-22.5%	43.5%	15.7%	23.6%	17.1%	21.7%	21.0%	17.2%	21.7%	19.7%
% Debt To Capital	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

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 54.86 (12/02/19)

HIGH THIS YEAR 73.31

LOW THIS YEAR 45.81

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	
	2014	42.0	20.3	0.66			0.00	0.0	0.0
2015	72.1	35.2	1.32			0.00	0.0	0.0	
2016	55.8	30.7	1.56	35.8	19.7	0.00	0.0	0.0	
2017	58.8	42.0	1.55			0.00	0.0	0.0	
2018	66.2	38.1	2.73	24.3	13.9	0.00	0.0	0.0	
AVERAGE		33.2		30.0	16.8		0.0		
CURRENT/TTM			3.16			0.00	0.0		
AVERAGE PRICE EARNINGS RATIO: 23.4				CURRENT PRICE EARNINGS RATIO: 17.4					

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

$$\text{Avg. High P/E} \quad 25.0 \quad \times \quad \text{Estimate High Earnings/Share} \quad 5.21 \quad = \quad \text{Forecasted High Price} \quad \$ \quad 130.1$$

B LOW PRICE - NEXT 5 YEARS

$$(a) \text{ Avg. Low P/E} \quad 14.0 \quad \times \quad \text{Estimate Low Earnings/Share} \quad 3.00 \quad = \quad \text{Forecasted Low Price} \quad \$ \quad 42.0$$

$$(b) \text{ Avg. Low Price of Last 5 Years} \quad 33.2$$

$$(c) \text{ Recent Market Low Price} \quad 38.1$$

$$(d) \text{ Price Dividend Will Support} \quad \frac{\text{Indicated Dividend}}{\text{High Yield}} \quad = \quad \frac{0.00}{0.00\%} \quad = \quad 0.0$$

$$\text{Selected Forecasted Low Price} \quad \$ \quad 33.2$$

C ZONING using 25%-50%-25%

$$\text{Forecasted High Price} \quad 130.1 \quad \text{Minus Forecasted Low Price} \quad 33.2 \quad = \quad 96.9 \quad \text{Range.} \quad 25\% \text{ of Range} \quad 24.2$$

$$\text{Buy Zone} \quad 33.2 \quad \text{to} \quad 57.5$$

$$\text{Hold Zone} \quad 57.5 \quad \text{to} \quad 105.9$$

$$\text{Sell Zone} \quad 105.9 \quad \text{to} \quad 130.1$$

$$\text{Present Market Price of} \quad 54.86 \quad \text{is in the} \quad \text{BUY} \quad \text{Zone}$$

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

$$\frac{\text{High Price} \quad 130.1 \quad \text{Minus Present Price} \quad 54.86}{\text{Present Price} \quad 54.86 \quad \text{Minus Low Price} \quad 33.2} \quad = \quad \frac{75.29}{21.62} \quad = \quad 3.5 \quad \text{To 1}$$

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

$$\frac{\text{High Price} \quad 130.1}{\text{Closing Price} \quad 54.86} \quad = \quad 2.3724 \quad \times \quad 100 \quad = \quad 237.24 \quad - \quad 100 \quad = \quad 137.2 \quad \% \text{ Appreciation}$$

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.

$$\text{A} \quad \frac{\text{Indicated Annual Dividend} \quad 0.00}{\text{Closing Price} \quad 54.86} \quad = \quad 0.0000 \quad = \quad 0.0\% \quad \text{Current Yield}$$

B AVERAGE YIELD - USING FORECAST HIGH P/E

$$\frac{\text{Avg. \% Payout} \quad 0.0\%}{\text{Forecast High PE} \quad 25.00} \quad = \quad 0.0\%$$

AVERAGE YIELD - USING FORECAST AVERAGE P/E

$$\frac{\text{Avg. \% Payout} \quad 0.0\%}{\text{Forecast Average PE} \quad 19.50} \quad = \quad 0.0\%$$

C COMPOUND ANNUAL RETURN - USING FORECAST HIGH P/E

Annualized Appreciation	18.9 %
Average Yield	0.0 %
Annualized Rate of Return	18.9 %

COMPOUND ANNUAL RETURN - USING FORECAST AVG P/E

Annualized Appreciation	13.1 %
Average Yield	0.0 %
Annualized Rate of Return	13.1 %