


Manifest Investing Forum - Welcome, BobBigrigg

Topic [Manifest Investing / Stocks / American Family \(AFAM\)](#) (36 hits)

By [@MarkRobertson](#) **Date** 01-19-2011 08:25

Subscriber inquiry: "We can't figure out how the PAR published on MANIFEST for AFAM is so low (3.6%). Our stock study doesn't come near that low projected return. The Fundamental Forecast is using 10% sales growth, 8% projected net margin and an average P/E of 10x. Possibly the low P/E drives the low price appreciation ... resulting in a lower PAR?"

By [@MarkRobertson](#) **Date** 01-19-2011 08:26 **Edited** 01-19-2011 08:38

Thanks for the question. Could be coincidental, but I was already looking at this stock, Almost Family (AFAM) looking back to when it served as "rocket fuel" for Steve Parham's winning entry in Groundhog I.

We'll take a look at the Fundamental Forecasts, the milestones and an Equity Analysis Guide to take a closer look at your situation.

Company	Ticker	Industry	Quality	PAR
Almost Family*	AFAM	Medical Services (Managed Care)	73.1	3.6%
Current Price (01/18)			\$37.73	
CAPS Rating (Rate this stock on CAPS)			★★★★★	
Expected Income Statement				
Current Sales			321.7	
Sales Growth Forecast			10.0%	
Net Profit Margin			8.0%	
Projected Shares Outstanding			9.2	
EPS - Five Year Forecast			\$4.51	
Average P/E Ratio			10.0	
Projected Average Price			\$45.05	
Price Appreciation (Annualized)			3.6%	
Annual Dividend Yield			0.0%	
Projected Annual Return			3.6%	

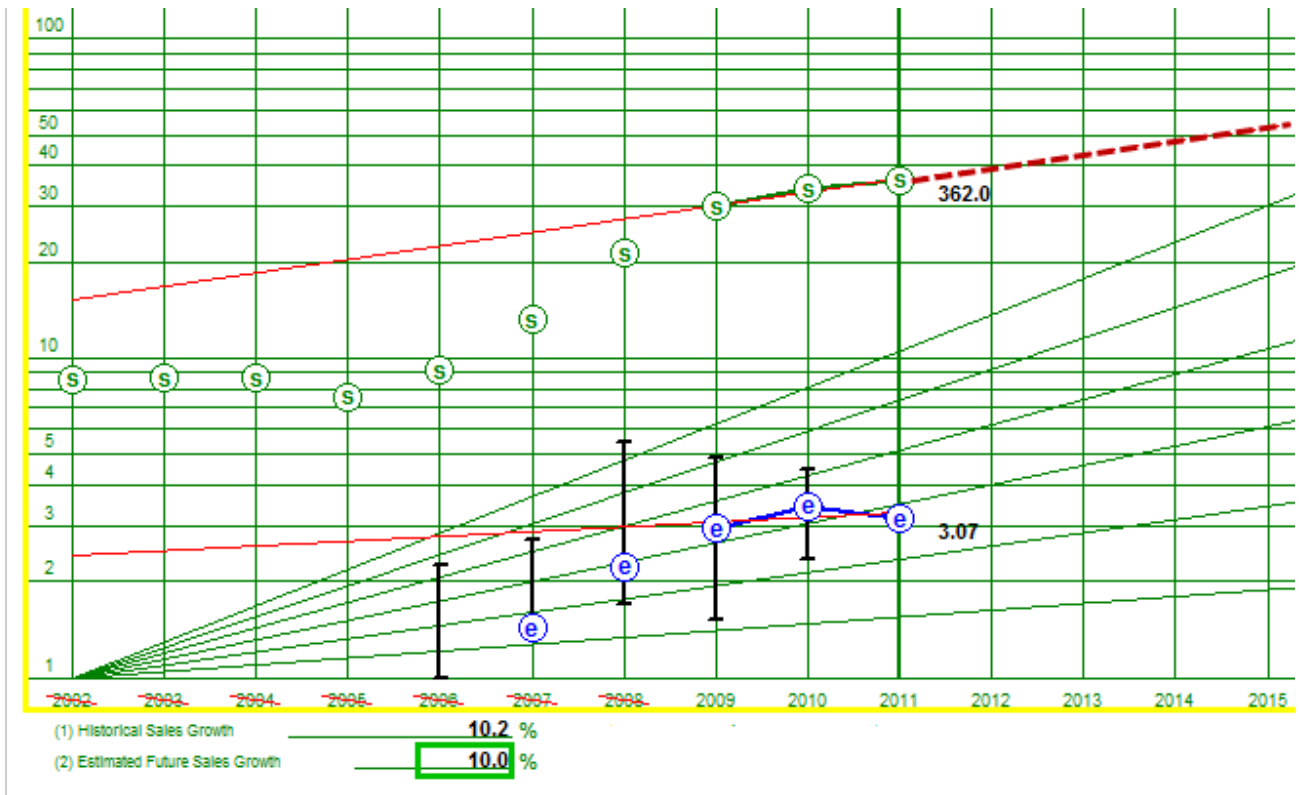
By [@MarkRobertson](#) **Date** 01-19-2011 09:29

Sales Growth Forecast

Probably due to acquisitions ... but you don't want to pay a great deal of attention to anything before 2008. The clue is the number of shares ... check out the chronology.

This is a case where embedding the estimates for 2010 and 2011 "makes" the study ... because you'd really have insufficient or potentially misleading trends without including the forecast period.

Note that sales for 2011 are modestly higher and that the 2011 EPS forecast is actually lower.

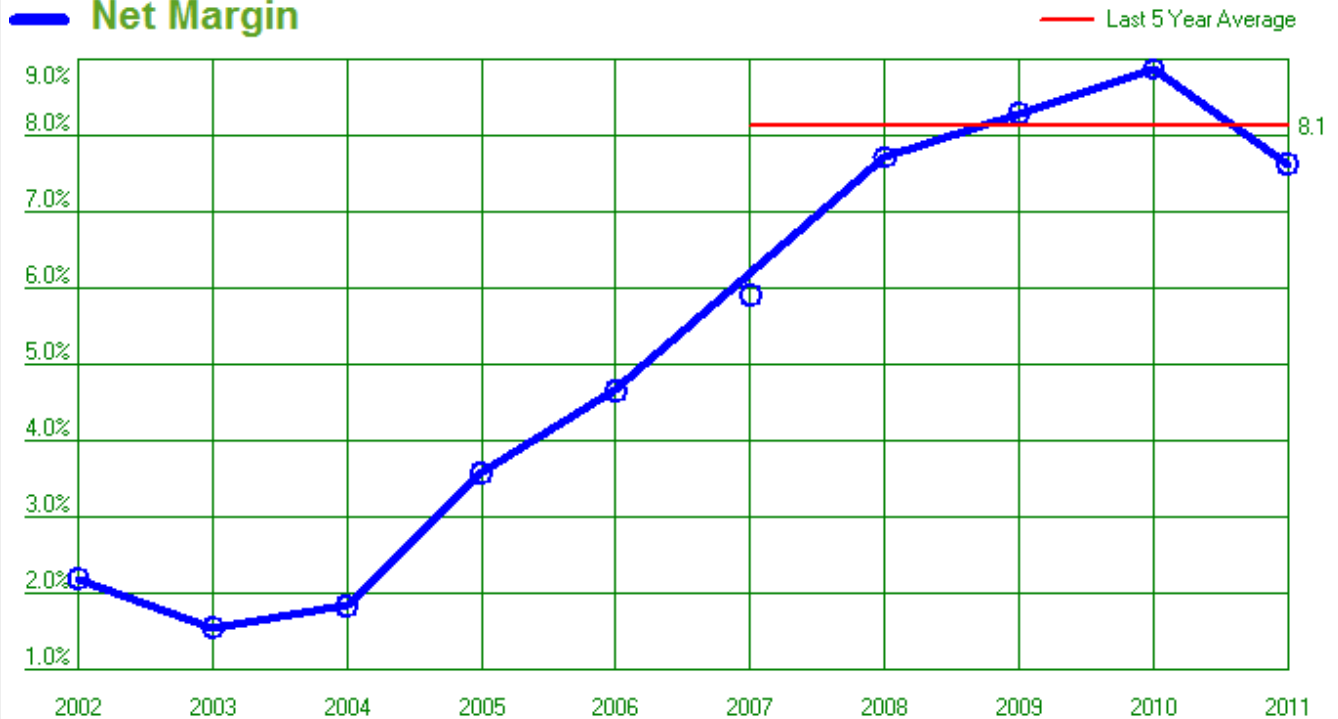


By @MarkRobertson Date 01-19-2011 09:35

Profitability Analysis

Same holds true here ... an emphasis or focus on the last couple of actual annual results, combined with a couple of forecasts, probably makes sense.

Net Margin




By @MarkRobertson Date 01-19-2011 09:56

Equity Analysis Guide

Using a projected average P/E of 10x, the PAR is 3.7%.

S&P recently raised its fair value estimate for AFAM to \$50.50 -- justifying an increased P/E forecast. You'll see that using a P/E of 12x and matching the projected net margin at 7.5% aligns with the long-term analyst EPS forecast.

Almost Family		AFAM			
Income Statement		1/18/2011	Annual Rates	Income Statement	
				1/18/2016	
Sales (Trailing 12-Mo)		338.1	10.0%	Sales (5-Year Forecast)	545
x Net Margin (%)		9.1%		x Net Margin (%)	7.5%
/ Shares (M)		9.1		/ Shares (M)	9.1
Earnings Per Share		\$ 3.37	5.9%	Earnings Per Share	\$ 4.49
x P/E Ratio		11.1		x P/E Ratio (Projected Avg)	12.0
Stock Price		\$ 37.42	7.6%	Stock Price (5-Year Forecast)	\$ 53.85
Projected Dividend Yield (%)			0.0%	Payout Ratio	0%
Projected Annual Return (PAR)			7.6%		
Return-Based Zoning			EPS Forecast Audit		
Median PAR (MIPAR)		7.6%		Earnings Per Share (ACE)	\$ 3.07
Buy if PAR is Above [MIPAR + 7.5%]		15.1%		at Date	12/31/2011
Buy Below Price		\$ 27		EPS Growth Rate [Adj]	10.0%
Sell if PAR Drops To/Below [MIPAR]		7.6%		5-Year EPS Forecast	\$ 4.52
Sell Above Price		\$ 37		Variance from Consensus	-1%

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