

3B CTG – What is Yield on the SSG? Diane Amendt

What Is Yield On The SSG?




And Why Should I Look At It?

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 **Classes-To-Go! 3B**

Disclaimer

- The information in this presentation is for educational purposes only and is not intended to be a recommendation to purchase or sell any of the stocks, mutual funds, or other securities that may be referenced.



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Why Do We Do SSGs

- To identify **quality** companies
- Selling at a **fair price**
- Providing a potential **total return** fitting the requirements of our portfolio
- YIELD** is part of Total Return

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Yield Is Part Of Total Return

Determine 5 Year Potential - Compound Total Return

Using Forecast High P/E		Using Forecast Average P/E	
View Calculations Learn More		View Calculations Learn More	
Potential Annual Price Appreciation	10.92%	Potential Annual Price Appreciation	9.07%
Yield	2.32%	Yield	2.52%
Annual Rate of Return	13.24%	Annual Rate of Return	11.59%
Present Yield: 3.39%			

Price Appreciation + Yield = Total Return

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Let's Look At Yield

The Yield is the projected average annual return on the price, paid as a dividend.

Yield is calculated by dividing the dividend by the purchase price of the stock.

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Let's Look At Yield

We understand **Interest** on a CD

Deposit x Rate = Interest paid \$1,000 x .4% = \$4.00

The Rate is constant, payout varies with amount deposited

Compare this with **Yield** on stocks

Dividend / Price of share = Yield \$.82 / \$26.5 = 3.1%

The Dividend is constant, yield varies with the stock price

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But there was a price range during the year --

Someone paid \$35.9 for one share while others paid only \$26.5

	High Price	Low Price
	38.4	29.5
	37.3	29.1
	37.0	26.5
	35.9	26.5
	35.0	19.4

Yet each earned the same dividend
Higher price produces lower yield

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3 PRICE, PRICE/EARNINGS RATIO and DIVIDEND ANALYSIS

	CURRENT PRICE	29,389	52WEEK HIGH	31,990	52WEEK LOW	21,280		
Fiscal Year	High Price	Low Price	EPS	High PE	Low PE	Dividend	% Payout	% High Yield
1 2005	38.4	29.5	1.47	26.1	20.1	0.580	39.5	2.0
2 2006	37.3	29.1	1.35	27.6	21.6	0.490	34.3	1.7
3 2007	37.0	26.5	1.60	23.1	16.6	0.720	45.0	2.7
4 2008	35.9	26.5	1.80	19.9	14.7	0.820	45.6	3.1
5 2009	35.0	19.4	1.77	19.8	11.0	1.160	65.5	6.0
6 AVERAGE		26.2		22.3	16.8		46.4	
AVERAGE P/E RATIO	20.0	PROJECTED P/E RATIO	14.5	TTM EPS	1.90			
CURRENT P/E RATIO	15.5	PEO RATIO	2.1	FTM EPS	2.03			
RELATIVE VALUE	77.3%	PROJ. RELATIVE VALUE	72.3%					

Low price / Dividend = High Yield

26.5 / .82 = .031 or 3.1%

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Yield On Current Price

5 TOTAL RETURN ANALYSIS

A CURRENT YIELD
Present Full Year's Dividend \$ 1.000 ÷ Current Price of Stock \$ 29.540 = 3.4% Present Yield or % Returned on Purchase Price

Section 5 TOTAL RETURN ANALYSIS begins with the Current Yield at the current price

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- On your initial purchase, the lower the purchase price, the higher the yield.
- After you own the stock, yield is based on the average price of the stock during the year.

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The High Yield is found in Section 3 in Toolkit

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Where Is Yield On The SSG?

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.

Year	A		B		C		D		E		F		G		H	
	High	Low	Price	Per Share	High A/C	Low B/C	Price Earnings Ratio	Low B/C	Per Share	Dividend	% Payout	F/C * 100	% High Yield	F/B * 100	F/H * 100	
1 2005	38.43	29.48	1.47	26.14	20.05	0.580	39.48	1.97								
2 2006	37.30	29.11	1.35	27.63	21.56	0.490	36.30	1.69								
3 2007	37.00	26.50	1.60	23.10	16.54	0.720	45.00	2.72								
4 2008	35.90	26.45	1.80	19.94	14.69	0.820	45.56	3.10								
5 2009	35.00	19.39	1.77	19.77	10.95	1.160	65.54	5.90								
6 TOTAL				130.5		116.5	231.8									
7 AVERAGE				26.2		22.3	46.4									
8 AVERAGE PRICE EARNINGS RATIO 20.0											9 CURRENT PRICE EARNINGS RATIO 15.5					

The High Yield is found only in print out of the online tool SSG

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Where Is Yield On The SSG?

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Present Yield: 3.39%

The role Yield plays in Total Return is found in Section 5

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What is Yield and why should I look At it?



Yield is the part of return that comes from dividends.

When added to price appreciation, yield can bring total return into the range that fits our portfolio requirements.

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Questions?

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