

Aids in Making On-Line SSG-Plus Judgments

Company :

Sales EPS Trend Options

- 1 Historic growth rate -10 years
- 2 Historic Growth rate -5 years
- 3 Is growth rate acceptable for size of company? Yes / No
- 4 Recent quarterly growth rate
- 5 Value Line Growth Projection(Annual Rates)
Growth Est. from dragging "DIAMOND" until \$ amt. equals
- 6 Value Line \$ estimate
- 7 Analysts EPS Future Growth Projection
- 8 Yahoo Analysts EPS Future Growth Projection
- 9 Yahoo Analysts EPS (\$) Estimates Trend Up / Down
- 10 BI member sentiment growth estimates
- 11 EPS est. from Preferred Procedure

Judgment

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High P/E Low P/E Ratios

Current P/E

- 1 5-Year Average High & Low P/E. Outliers?
- 2 Last 5-year P/E Trend
- 3 Most recent high and low P/E
- 4 Value Line projected **average** P/E
Value Line projected **high** P/E(Divide Proj. high price by
5 proj. 3-5 yr EPS)
- 6 BI sentiment P/E estimates

Judgment

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Current Price

Low Price

- 1 Selected Low P/E times Low EPS Est. (last 4 qtrs.)
- 2 Most recent severe market low
- 3 5-Year Average Low Price
- 4 52 week low
- 5 Price Dividend will support, if applicable
- 6 BI sentiment low price judgment
- 7 80% of current price

Judgment

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Rules of Thumb

Be Conservative!

Expected Growth by Company Size

- Small-sized (rev. \$1B or less) - 12% growth or greater
- Mid-sized (rev. \$1B - \$10B) - 7-12% growth
- Large-sized (rev. \$10B or more) - 5-7% growth
- * Research reason for any unusual changes in growth
- * Most recent data is the most relevant

Sales Growth Estimate:

- * Always make estimate less than historic rate
- * Seldom should future growth estimate be higher than 20% and usually not over 15%

EPS Growth Estimate:

- * Always make estimate less than historic rate
- * Seldom should the future growth estimate be higher than future sales growth estimate, but can be less
- * Seldom should future growth estimate be higher than 15-20%

Second Opinion:

- * You can use "Preferred Procedure" as a second opinion for your EPS judgments.

- * Look at trend in P/Es (steady, decreasing, increasing)
- * P/Es decline as growth rates decline
- * Increasing interest rates cause P/Es to decline
- * Companies with consistent & high earnings growth command higher P/Es

Future High P/E Estimate:

- * Seldom should it be over 25-30
- * Seldom should it be higher than the historic average
- * One option is to make it no more than 1.5 times EPS growth rate estimate
- * Another option, for a very high quality company, is to choose 2 times EPS growth rate estimate.

Future Low P/E Estimate:

- * Seldom should it be higher than the historic average
- * One option is to make it no higher than EPS growth rate

- * Forecasted Low price must be lower than current price
- * Set the low price as high as is reasonable

Low Price Options:

- * Estimated Low P/E times last 4 qtrs. EPS - used for growth companies
- * Most Recent Severe Market Low
- * 5-Year Average Low Price
- * Consider 52-week low price
- * Price dividend will support, if applicable
- * 80% of Current Price

* **Other:** BI member sentiment estimate **or** Your choice