

# REVIEW OF SELECTING THE LOW PRICE

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## Objectives:

- REVIEW THE FOUR USUAL CHOICES FOR SELECTING THE LOW PRICE
- CONSIDER ADDITIONAL METHODS TO CALCULATE A LOW PRICE

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## 1) LOW PRICE NEXT 5 YEARS

AVERAGE LOW P/E X  
ESTIMATED LOW EPS

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## 2) AVG LOW PRICE LAST FIVE YEARS

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## 3) RECENT MARKET LOW PRICE

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## 4) PRICE THE DIVIDEND WILL SUPPORT

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## 5) PVQ – PRICE VARIANT QUOTIENT

1. Sum the last 5 yrs. of high price/5 = Avg high price for last 5 yrs.
2. Divide this by the average low price in the last 5 yrs.
3. Multiple the result in #2 by the 52-Week high Price

$$\frac{\text{Avg 5yr. high price}}{\text{Avg 5 yr. low price}} \times 52 \text{ wk. high price}$$

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6) 80% OF THE CURRENT PRICE

7) OTHER

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### IMPORTANCE OF LOW PRICE

- 1) The estimated low price establishes the low price of the buy range.
- 2) This is important in the calculation of the up-side down-side ratio.

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### 3 PRICE, PRICE/EARNINGS RATIO and DIVIDEND ANALYSIS

Fiscal Year	High Price	Low Price	EPS	High P/E	Low P/E	Dividend	% Payout	% High Yield
1 2013	26.5	19.2	1.45	18.3	13.2	0.000	0.0	0.0
2 2014	59.3	23.3	2.38	24.9	9.8	0.220	9.2	0.9
3 2015	112.9	44.1	4.10	27.5	10.8	0.650	15.9	1.5
4 2016	88.5	54.5	5.18	17.1	10.5	1.060	20.5	1.9
5 2017	112.1	71.7	5.41	20.7	13.3	1.160	21.4	1.6
6 AVERAGE		42.6		21.7	11.5		16.8	

  

AVERAGE P/E RATIO	16.6	PROJECTED P/E RATIO	16.1	TTM EPS	5.41
CURRENT P/E RATIO	18.0	P/E RATIO	1.3	FTM EPS	6.06
RELATIVE VALUE	108.4%	PROJ. RELATIVE VALUE	96.9%	AVG TTM + FTM EPS	5.73

  

### 4 EVALUATING REWARD and RISK over the next 5 years

**A FUTURE HIGH PRICE ANALYSIS - NEXT 5 YEARS**  
 Selected High P/E = 21.7 X Estimated High Earnings/Share = 9.53 = Forecast High Price \$ 206.8

**B FUTURE LOW PRICE ANALYSIS - NEXT 5 YEARS**  
 (a) Sel. Low P/E = 11.5 X Estimated Low Earnings/Share = 5.41 = \$ 62.2  
 (b) Average 5-Year Low Price = 42.6  
 (c) Recent Severe Market Low Price = 54.5  
 (d) Price Dividend Will Support = Present Divd. + High Yield = 1.28 + 0.019 = 65.8  
 Selected Estimated Low Price = 62.2

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Judgment - Potential Low Stock Price Selec... - [ ] [X]

#### Select a Potential Low Stock Price:

- Forecast Low Price 62.2
- Average Low Price for Last 5 Years 42.6
- Recent Severe Market Low Price 54.5
- Price Dividend Will Support 65.8
- Price Variant Quotient 62.70
- 80% of Current Price 77.94
- Other

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### Select a Potential Low Stock Price:

Forecast Low Price **62.2**

Selected Estimated Low Price = \$ **62.2**

**C PRICE RANGES**  
 Forecast High Price **206.8** - Estimated Low Price **62.2** = Range **144.6** 25% of Range = **36.2**  
 BUY (Lower 25% of Range) = **62.2** to **98.4**  
 MAYBE (Middle 50% of Range) = **98.4** to **170.6**  
 SELL (Upper 25% of Range) = **170.6** to **206.8**  
 Current Price **97.43** is in the **Buy** Range

**D REWARD/RISK ANALYSIS (Potential Gain vs. Risk of Loss)**  
 (Forecast High Price **206.8** - Current Price **97.43**) / (Current Price **97.43** - Estimated Low Price **62.2**) = **3.1** To 1

### Average Low Price for Last 5 Years **42.6**

Selected Estimated Low Price = \$ **42.6**

**C PRICE RANGES**  
 Forecast High Price **206.8** - Estimated Low Price **42.6** = Range **164.2** 25% of Range = **41.1**  
 BUY (Lower 25% of Range) = **42.6** to **83.7**  
 MAYBE (Middle 50% of Range) = **83.7** to **165.7**  
 SELL (Upper 25% of Range) = **165.7** to **206.8**  
 Current Price **97.43** is in the **Hold** Range

**D REWARD/RISK ANALYSIS (Potential Gain vs. Risk of Loss)**  
 (Forecast High Price **206.8** - Current Price **97.43**) / (Current Price **97.43** - Estimated Low Price **42.6**) = **2.0** To 1

### Recent Severe Market Low Price **54.5**

Selected Estimated Low Price = \$ **54.5**

**C PRICE RANGES**  
 Forecast High Price **206.8** - Estimated Low Price **54.5** = Range **152.3** 25% of Range = **38.1**  
 BUY (Lower 25% of Range) = **54.5** to **92.6**  
 MAYBE (Middle 50% of Range) = **92.6** to **168.7**  
 SELL (Upper 25% of Range) = **168.7** to **206.8**  
 Current Price **97.43** is in the **Hold** Range

**D REWARD/RISK ANALYSIS (Potential Gain vs. Risk of Loss)**  
 (Forecast High Price **206.8** - Current Price **97.43**) / (Current Price **97.43** - Estimated Low Price **54.5**) = **2.5** To 1

### Price Dividend Will Support **65.8**

Selected Estimated Low Price = \$ **65.8**

**C PRICE RANGES**  
 Forecast High Price **206.8** - Estimated Low Price **65.8** = Range **141.0** 25% of Range = **35.3**  
 BUY (Lower 25% of Range) = **65.8** to **101.1**  
 MAYBE (Middle 50% of Range) = **101.1** to **171.5**  
 SELL (Upper 25% of Range) = **171.5** to **206.8**  
 Current Price **97.43** is in the **Buy** Range

**D REWARD/RISK ANALYSIS (Potential Gain vs. Risk of Loss)**  
 (Forecast High Price **206.8** - Current Price **97.43**) / (Current Price **97.43** - Estimated Low Price **65.8**) = **3.5** To 1

### Price Variant Quotient 62.70

Selected Estimated Low Price \_\_\_\_\_ = \$ 62.7

**C PRICE RANGES**  
 Forecast High Price 206.8 - Estimated Low Price 62.7 = Range 144.1 25% of Range = 36.0

BUY (Lower 25% of Range) = 62.7 to 98.7  
 MAYBE (Middle 50% of Range) = 98.7 to 170.8  
 SELL (Upper 25% of Range) = 170.8 to 206.8

Current Price 97.43 is in the Buy Range

**D REWARD/RISK ANALYSIS (Potential Gain vs. Risk of Loss)**  
 (Forecast High Price 206.8 - Current Price 97.43) ÷ (Current Price 97.43 - Estimated Low Price 62.7) = 3.1 To 1

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### 80% of Current Price 77.94

Selected Estimated Low Price \_\_\_\_\_ = \$ 77.9

**C PRICE RANGES**  
 Forecast High Price 206.8 - Estimated Low Price 77.9 = Range 128.9 25% of Range = 32.2

BUY (Lower 25% of Range) = 77.9 to 110.1  
 MAYBE (Middle 50% of Range) = 110.1 to 174.6  
 SELL (Upper 25% of Range) = 174.6 to 206.8

Current Price 97.43 is in the Buy Range

**D REWARD/RISK ANALYSIS (Potential Gain vs. Risk of Loss)**  
 (Forecast High Price 206.8 - Current Price 97.43) ÷ (Current Price 97.43 - Estimated Low Price 77.9) = 5.6 To 1

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	Low Price	Top of Suggested Buy Range	U/D Ratio	Buy/Hold
Forecast Low Price	\$62.20	\$98.40	3:1	BUY
Avg. Low Price for last 5 Yrs.	\$42.60	\$83.70	2:1	HOLD
Recent Severe Market Low Price	\$54.50	\$92.60	2.5:1	HOLD
Price Dividend Will Support	\$65.80	\$101.10	3.5:1	BUY
PVQ	\$62.70	\$98.70	3:1	BUY
80% current Price	\$77.94	\$110.10	5.6:1	BUY

## UPSIDE/DOWNSIDE RATIO

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## IN REVIEW:

- 1) Select low PE x est. Low EPS
- 2) Avg 5 yr. Low price
- 3) Recent Severe Low Price
- 4) Price Dividend Will Support
- 5) Price Variant Quotient (PVQ)
- 6) 80% of Current Price

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## QUESTIONS OR COMMENTS?

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