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LOW Price: Which to Select?

April 26, 2022

Presented By Shirley Pfister
Rocky Mountain Chapter Model Investment Club

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OBJECTIVES:

- Review the Online choices available for the low price
- Additional methods to calculate the low price

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Determining the Low Price

- Provides an estimate of how low the stock price might go in the next 5 years
- Four methods = each one appropriate for a different type company or situation

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Potential Low Price Selection Online Tool

▶ Determine Low Price - Next 5 Years

Select Low Stock Price Forecast

Your Low Stock Price Forecast:

Low P/E X Low EPS Forecast: Update Low EPS Forecast using: Auto Update to TTM EPS (click to toggle)

Average Low P/E Forecast: X Low EPS Forecast: = Forecast Low Stock Price:

5 Year Average Low P/E: **18.8** TTM EPS: **1.49** Closing Price (03/17/21): **48.41**

5 Year Average P/E: **23.5**

Current P/E: **32.5**

Recent Market Low Price:

2019 Low Stock Price: **24.8** 52 Week Low Stock Price: **26.7**

2020 Low Stock Price: **26.7**

Average Low Price of Last Five Years:

Price Dividend Will Support: $\frac{\text{Indicated Dividend}}{\text{High Yield}} = \frac{1.12}{3.7\%} = \text{29.9}$

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High Yield

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Potential Low Price Selection Online Tool

- Another calculation which may be evaluated when selecting the low price is to estimate the average low price by determining 80% of the current price. This can then be compared to the others you have.

- GOOD RULE TO REMEMBER = FORECAST LOW PRICE BE AT LEAST 20% below the CURRENT price

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<h2>Price Variant Quotient (PVQ)</h2>	
<p>Gayle Olson's methodology for the selection of an alternative Low Stock Price in the Stock Study Process</p>	

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<h2>Price Variant Quotient (PVQ)</h2>	
<p>The selection of the potential low price is one of the most critical judgment items. Using trading history for a stock, the Price Variant Quotient (PVQ) can determine a potential low price to be used in the stock study process.</p>	

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Price Variant Quotient (PVQ)

Gail Olson’s PVQ methodology simply stated for the Selected Low Price is the ratio of the average 5 yr. Low price to the average 5 yr. High stock price times the 52 week high price.

PVQ =

(average 5-year low price / average 5-year high price) X 52-week high price

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Price Variant Quotient

3 PRICE, PRICE/EARNINGS RATIO and DIVIDEND ANALYSIS

		CURRENT PRICE (P/E) 48.41 (32.5)		52-WEEK HIGH (P/E) 51.89 (34.8)		52-WEEK LOW (P/E) 26.72 (17.9)			
Fiscal Year		High Price	Low Price	EPS	High P/E	Low P/E	Dividend	% Payout	% High Yield
1	2016	25.0	17.6	0.87	28.9	20.3	0.600	69.4	3.4
2	2017	27.7	19.9	1.01	27.6	19.8	0.640	63.7	3.2
3	2018	30.6	23.7	1.31	23.4	18.1	0.770	58.8	3.2
4	2019	37.9	24.8	1.38	27.5	18.0	0.870	63.0	3.5
5	2020	50.5	26.7	1.49	33.9	17.9	1.000	67.1	3.7
6	AVERAGE	34.34	22.5		28.3	18.8		64.4	
	AVERAGE P/E RATIO	23.6		PROJECTED P/E RATIO	30.3		TTM EPS		1.49
	CURRENT P/E RATIO	32.5		PEG RATIO	4.2		FTM EPS		1.60
	RELATIVE VALUE	138.0%		PROJ. RELATIVE VALUE	128.8%	131.8%	AVG TTM + FTM EPS		1.54

PVQ = (22.50 / 34.34) * 51.89 = 34.00

4 EVALUATING REWARD and RISK over the next 5 years

A FUTURE HIGH PRICE ANALYSIS – NEXT 5 YEARS
 Selected High P/E 28.3 26.9 X Estimated High Earnings/Share 2.10 = Forecast High Price \$ 56.5

B FUTURE LOW PRICE ANALYSIS – NEXT 5 YEARS
 (a) Sel. Low P/E 18.8 19.1 X Estimated Low Earnings/Share 1.49 1.46 = \$ 27.9
 (b) Average 5-Year Low Price = 22.5
 (c) Recent Severe Low Price = 24.8
 (d) Price Dividend Will Support = Present Divd. + High Yield = 1.12 + 0.037 = 29.9
 Selected Estimated Low Price = \$ 34.1

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Price Variant Quotient

Online Calculation

- Divide the average 5 yr. Low Price by the average 5 yr. High Price. Multiple that number by the 52 week High Price!

Toolkit



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Really Lazy? Still want to use?



Look for the longest price bars
 Use your mouse to hover over the bar
 See the 52-week price range
 Divide the low price by the high price,
 And multiply times the 52-week high price

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Potential Low Price Selection Online Tool

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4B(a) – Most often use selection for growth companies without significant dividend

4B(b) – Used for cyclical companies, e.g., auto manufacturers

4B(c) – Used for turnaround or otherwise volatile and unpredictable companies; usually not well suited to the stock study methodology

4B(d)– Large companies with significant dividend (>5%)

Other choices for Low Stock Price

Price Variant Quotient

80% of current price

Other -

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Potential Low Price Selection Online Tool

CAUTION: Before you choose a value other than 4A
THINK!!!

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References and Studies

- Information for this presentation came from documents by Gayle Olson, Bob Adams, Marty Eckerle, Ken Janke, & Ralph Futch

Thank You to All!!!

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Question and Comments



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