

THE STARTING POINT

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Why Change the Starting Points?

- Applying Judgment to Estimate the Most Reasonable 5-year Sales and 5-year EPS figures. *Remember:*
 - The 5-year EPS figure is used to calculate high price.
 - And High Price is used to calculate U/D Ratio and Total Return
- Different Conditions May Merit Changing the Starting Points.

What Are the Starting Point Options?



5-year EstimatesUsing Different Starting Points

Starting Point	Starting Point EPS	5-year EPS using 15% Growth	High Price using 24 for P/E
Annual	\$4.10	\$8.24	\$197.70
Quarterly	\$4.95	\$9.89	\$237.30
Trend	\$6.95	\$13.97	\$335.30

When to Use ANNUAL

- Default, since we look for consistent growth (straight historical lines.)
- Annual is often the most conservative selection if the company has reported 1, 2, or 3 quarters of results
- Analysts' growth rate estimates are often based on starting with the last full fiscal year.

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ANNUAL Example

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When to Use QUARTER

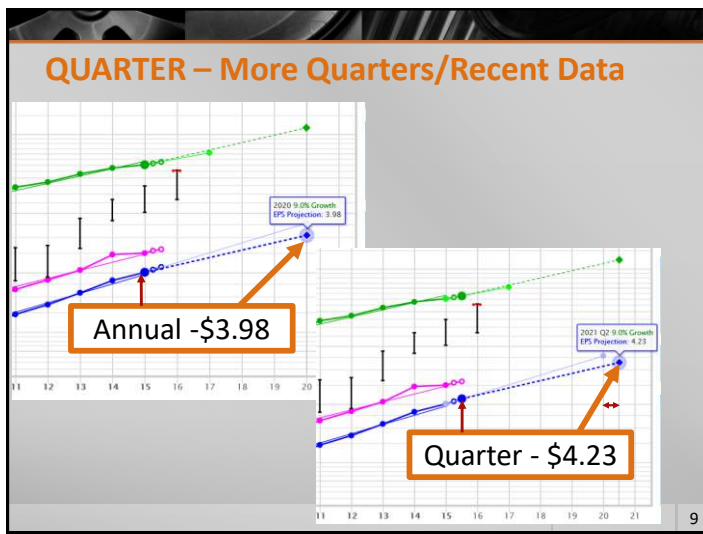
- Want to make use of most up-to-date data
- If last year's performance is an outlier for poor performance but has recovered in a recent quarter.

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QUARTER – Most Recent Data

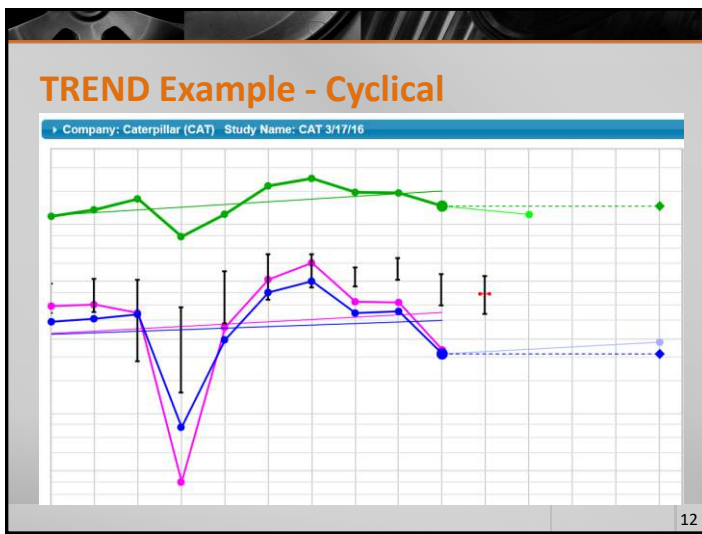
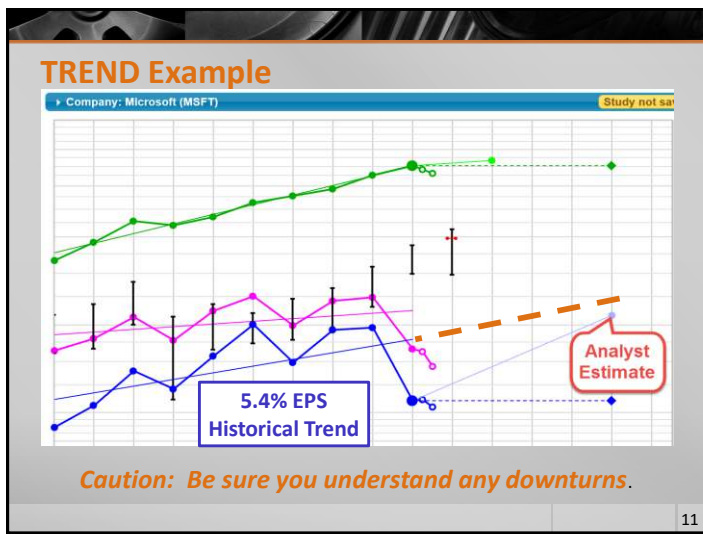
SALES (\$M)	PER SHARE (\$)
4,999.0	1.33
2,531.0	0.43
97.51	205.51

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When to Use TREND

- An unusual one time down trend or upward trend in the last year
- When history is not “straight” (and that is normal for the company). For example, a cyclical growth company.



Outliers - Excluding Data

- Annual Projection Starting Point will still use last fiscal year even excluded as an Outlier.
- For Trend Projection Starting Point, do consider removing early years or other points to have a “reasonable” starting point.

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Change Starting Point for Individual SSG

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Setting the DEFAULT Study Preferences

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Other Starting Point Considerations:

- You may also consider editing annual or quarterly data for a “reasonable” starting point (e.g., EPS for one-time occurrences)
- If you use Value Line, 3-5 year “squishy” estimates for the future, check last actual fiscal year.

2014	2015	2016	© VALUE LINE PUB. LLC	18-20	2014	2015
10.54	11.66	11.80	Revenues per sh ^A	15.30	Historical Sales	86,833
3.31	3.47	3.60	“Cash Flow” per sh	4.85		
2.63	2.65	2.75	Earnings per sh ^B	3.85	Historical Earnings	2.63
1.12	1.24	1.39	Div'ds Decl'd per sh ^E	1.95		

CAUTION: Understand Adjustments

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