

# Training Tips, Tricks, & Techniques

## Potential Buy Price

Would you like to know what price ensures the stock price is a buy and also satisfies the requirement for a 3-to-1 upside / downside ratio?

Press: ALT + B (press the ALT and B keys at the same time).

### 3 PRICE-EARNINGS HISTORY as an indicator of the future

*This shows how stock prices have fluctuated with earnings and dividends. It is a building block for translating earnings into future stock prices.*

		PRESENT PRICE		HIGH THIS YEAR		LOW THIS YEAR			
		55.250		69.990		53.350			
Year		A	B	C	D	E	F	G	H
		PRICE	PRICE		Earnings Per Share	Price Earnings Ratio			
		HIGH	LOW						
				A ÷ C	B ÷ C				
1	2000	53.0	33.1	1.71	31.0	19.3	0.620	36.3	1.9
2	2001	61.0	40.3	1.91	31.9	21.1	0.700	36.6	1.7
3	2002	65.9	41.4	2.07	30.0	19.0	0.705	35.0	1.9
4	2003	59.1	38.1	1.81	33.2	20.5	0.620	36.4	1.7
5	2004	61.5	40.3	1.91	31.9	21.1	0.700	36.6	1.7
6	TOTAL								
7	AVERAGE								
8	AVERAGE PRICE EARNINGS RATIO								

**Calculate Potential Buy Price** ✖

The price that would satisfy both the risk (3-1 upside ratio) and reward (15% total return) is: \$53.39

### 4 Proj. P/E [15.52] Based EVALUATING RISK and REWARD

*Assuming one recession and one business boom every 5 years, calculations are made of how high and how low the stock might sell. The upside-downside ratio is the key to evaluating risk and reward.*

**A HIGH PRICE -- NEXT 5 YEARS**

Avg. High P/E 26.8 20.0 × Estimate High Earnings/Share 4.96 = Forecast High Price \$ 99.2 (4A)

**B LOW PRICE -- NEXT 5 YEARS**

(a) Avg. Low P/E 18.5 15.0 × Estimated Low Earnings/Share 3.10 = \$ 46.5

(b) Avg. Low Price of Last 5 Years = 42.4 (3B7)

(c) Recent Severe Market Low Price = 48.1

(d) Price Dividend Will Support  $\frac{\text{Present Divd.}}{\text{High Yield (H)}} = \frac{1.140}{0.022} = 51.3$

Selected Estimate Low Price = \$ 42.4