BUS-123 Spring 2013 | Common Stock Valuation | Name: ________________
Instr: F. Paiano | Extra Practice Worksheet | Dividend Discount Models

1) Colgate-Palmolive Company (CL) is currently selling for approximately $118 per share. They have been raising their dividends consistently at approximately 8% for many years. The dividends for the next three years are expected to be $2.72 for 2013, $2.94 for 2014, and $3.18 for 2015. Value Line forecasts the price per share to be approximately $150 at the end of 2015. If we desire a rate of return of 10%, using any appropriate dividend discount models, would we consider this a good investment?

2) Amgen (AMGN) is currently one of the leading biotechnology firms. Its recent price has been around $102. The company started paying dividends in 2011 and so far has raised the dividends dramatically from $1.12 in 2011 to $1.44 in 2012 to now $1.88 for 2013. Our estimate for the price in four years is $175 per share. If our desired rate of return is 11%, would this be a good buy? Which models would you believe are appropriate to use?